# Chinese Public Administration Review

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Disciplinary Rationale and Public Administration Field Development

Zhiyong Lan, Arizona State University

Academic public administration programs started to appear on China’s university campuses in the 1990s, a number of years after the departments of sociology, law, and political science had been restored. Although late coming, these public administration programs have quickly moved into a spotlight position, not so much because of the public administration programs’ academic strengths but because of China’s urgent need for managerial-capacity building. Indeed, reform in China has reached the point where profound social changes are on the horizon. Changes of such scope and magnitude inevitably call for vision, leadership, theoretical guidance, and massive development of managerial capacity. Academic public administration programs are being created to meet these needs. Their formation at this historical juncture can truly be described by the currently popular cliché—moving with the times.

Under the glorious aura of the spotlight, there is also an enormous amount of pressure on the leaders of China’s public administration programs. How should they define the mission of the new Chinese discipline of public administration? How should they organize their curriculum and research agenda? And how can they operate their training programs to fulfill the discipline’s social responsibilities? These are urgent questions that China’s public administration scholars have to answer. If these questions are answered well, the field of public administration will grow, prosper, and make great contributions to China’s development and modernization. Otherwise, the currently glorious aura could quickly fade into oblivion, and public administration’s important disciplinary function will be left to opportunistic currents.

This paper addresses some basic questions related to China’s public administration field development. It examines the core rationale of public administration, in the context of the rationales of its social science sister disciplines. It looks into China’s public administration environment, and examines experiences from outside of China. Hopefully, these discussions will lead to further research in these matters and serve as a reference for China’s public administration field development.

The Core Rationale of the Public Administration Discipline

What is public administration? This question has been on the minds of China’s public administration scholars for some time. I remember a well-known Chinese scholar of international politics venturing into the field of public administration over ten years ago—he had already authored one of the first few public administration books at that time—asking me (a doctoral candidate in Public Administration studying at a university in the U.S.), “What is this thing called public administration? What does it do?” In the same fashion, about eight years later when more Chinese students were studying public administration both domestically and abroad, the parent of a Chinese student studying with me in the U.S. posed the question, “What is public

Abstract: Public Administration as a field of study is relatively new in the People’s Republic of China. Nonetheless, it is quickly gaining popularity on China’s university campuses, due largely to China’s urgent need for managerial capacity building and reform guidance. Properly defining the mission of the discipline of public administration will have a profound impact on the future viability of the field, as well as on the process of social transformation in China. This paper looks into some of the basic questions related to public administration field development in China. Hopefully, it can contribute to discussions among interested scholars, and serve as a reference for public administration curriculum design and research agenda setting.
administration?” and “What can my daughter do after she gets an MPA?” Even today, after Chinese scholars have published over a hundred books on public administration, some of the most prominent scholars still assert that the best way to understand public administration may be to translate books and articles on public administration published in the west.

Interestingly enough, the debates on what public administration is and what public administration teaching and research should be, persist even in the United States, a country whose intellectual awareness of public administration can easily be traced back more than a hundred years (the passage of the Pendleton Act of 1883 and the publication of Wilson’s article The Study of Administration from the Political Science Quarterly in June 1887, for example). Although the National Association of Schools of Public Policy and Administration (NASPPA) established specific curriculum guidelines for the core courses of public administration programs in the United States, terms such as “intellectual crisis of public administration,” “pragmatic public administration,” “new public management,” and “new public service” have repeatedly surfaced in recent years (Denhardt & Denhardt, 2000; Marini, 1971; Osborne & Gaebler, 1992; Osborne & Plastrick, 1997; Ostrom, 1973), fighting to redefine the mission of the field. No wonder well-known American public administration scholars question themselves questions, such as: “Do we have a paradigm governing public administration research?” “How important is it that we have one?” “Are we making progress toward one?” and “Which is the most promising?” (Lan & Anders, 2000; Rainey, 1994).

In reality, there is no lack of definitions for public administration. Some scholars define public administration as “the executive branch of the government.” Others call public administration “the action part of the government, the means by which the purposes and goals of government are realized,” and still others regard public administration as a tool “that is mainly concerned with the means for implementing political values... It differs from political science in its emphasis on bureaucratic structure and behavior and its methodologies” (Stillman, 1987). Perhaps the most compelling definition comes from Waldo, who observed that, “Public administration is a technology for human cooperation. It emphasizes rationality, organization, and management in the pursuit of cooperation. It is embedded in human cultures and is a means by which societies try to control their culture, by which they seek simultaneously to achieve ... the goals of stability and the goals of change” (Waldo, 1955; see also Rosenbloom, Goldman, & Ingraham, 1994, p. 1).

These definitions all point in one direction, the active nature of the field of public administration. Clearly, the essence of the field does not lie in the definitions, but in how these definitions are understood and used to govern public administration teaching and research. To illustrate this point, we could start by examining the broader academic environment in which the field of public administration functions, namely, the core rationalities of public administration’s sister disciplines.

I first proposed this core rationale approach in a lecture I delivered in the summer of 1997 at Beijing University’s China Center for Economic Studies, for the sake of clarifying the relationship between public administration and its social science sister disciplines. The following is a summary of the approach developed in that paper.

As we know, the central problem in economics as a discipline is the question of optimality. It deals with the material basis of our social lives, and is a field closely related to management sciences. Economists assume resource scarcity and are dedicated to optimizing resource allocation to maximize the return on capital, labor, and technology. After years of trial, experiment, and observation, economists agreed that “true optimality” and “maximizing” are impractical Utopian concepts. Instead, they have accepted the notion of satisfying, a largely managerial notion. This is why economics is often referred to as economic management. Some economists have even abstracted the core issues of economics to the level of general decision-making or institutional building. Nonetheless, the core disciplinary rationale for economics is none other than how to optimize the use of resources to achieve high returns under given constraints. How to overcome various barriers and limitations (be they political, social, or managerial), in order to achieve optimization, is an issue that typically lies beyond the core mission of the discipline of economics.

In reality, the models of econometrics and predictions become less viable as more intervening variables related to social limitations are factored in. This is also why more recent landmark economic achievements have dealt with demonstrating how traditional economic theories do not work. For example, expectation theories (wherein human responses change an economic model’s prediction), institutional theories (in which managerial environment is regarded as important to economic outcomes), welfare economics (humanistic economics), liberalism economics (a political justification, rather than an efficiency justification, of economic freedom), and game theory (Nash
equilibrium) were among the recent contributions that won Nobel Prizes for economics. Many economists are moving to deal with political, social, and management issues, areas in which most of them were not adequately trained. Even for some Nobel Prize laureates, what they have proven may just be the conventional wisdoms that political or social philosophers have had all along.

The core rationale in political studies has to do with “who gets what and how.” It studies the operation of political power, political behavior, political institutions, and issues related to political ideology, political processes, and political outcomes. It aims to identify robust political ideologies and recognizes the naked facts of political reality.

The sociological rationale, however, often has to do with concern for social norms and the behavior of different social groups and systems. It broadly covers areas in culture, customs, equity, and religious beliefs, and their evolution, preservation, and implications in social life. Community, humanity, and social harmony are regarded as desirable social objectives, since they have proven to be positive forces in preserving human society.

The legal perspective has to do with conformity to existing laws and legal precedence. The emphasis is on what has been there in the past and what impact it has had. The psychological rationale has to do with how people feel. Finally, geography and environmental studies deal with the physical space in which we live.

The management rationale, however, builds upon all the aforementioned disciplines. It is concerned with coordinating the collective efforts of human organizations to achieve management objectives—regardless of what these objectives are. When applied in the sphere of governance, the managing of society as a whole, it is called public administration. Public administration advocates the economic concern for efficiency and effectiveness, takes into consideration political concern for power and wealth distribution, the sociological understanding of equity and community perceptions, the psychological perspective on feelings, and operating with a bottom line of feasibility, equilibrium, stability, and social well being. Since different societies at different historical moments have different social objectives, the objectives of their management rationales also differ (Lan, 2000). How these different rationales work in a decision-making scenario can be illustrated with the following example.

As we know, among the many public-policy choices countries may have to deal with is that of their industrial policies. If a nation’s central focus is maximizing return on investment, it does not matter what the nation’s manufacturers produce. It could be television sets, automobiles, housing, or any type of services, depending on the availability of capital, labor, technology, and profit margin. Additionally, there is no need for any industrial policy, per se. For a developing country, in which capital is scarce and labor skills are low, the industries that are the least capital intensive and fastest in generating monetary return are the light industrial and service industries. Obviously, if there should be industrial policies, the light industrial and service industries would receive all the policy favors, if the decision was made based on the economic rationale alone. However, from the perspectives of national sovereignty, defense, pride, science and technology-capacity building, and high-tech skill maintenance, a portion of the capital has to be invested in capital-intensive industries, even with full knowledge that these products may not be competitive and that the risk for capital loss is high. Decisions such as this are obviously decisions based on a political rationale, which needs a what and when.

Expanding this example even further, if a technology could be adopted that employs a small percentage of the population and produces all the needed goods and services, should the technology be adopted immediately? The political rationale would be concerned with those who would lose their jobs as a result of the new technology. The social perspective would be concerned with whether it is morally acceptable (right or wrong) for a group of people to lose their jobs and live in poverty and humiliation, or what types of social welfare programs should be in place to help them get back on their feet again. While the economic outlook would justify the decision, based on whether it would lead to economic-outcome maximization.

Traditional economic theory argues that, as long as profit can be maximized, distribution should not be a concern because, after a period of time, wealth would trickle down and everyone would be better off. The counter argument is “before long, we are all dead” (meaning that people often can not survive long enough for the benefits to trickle down). Many contemporary economists modified their trickle-down theory, based on the outcome of economic practice and social theories on justice, humanity, and compassion. They advocated a Pareto optimum: an optimal allocation decision point should be where some people are better off and no one is worse off. However, from a psychological perspective, one person’s gain is another’s loss, regardless of whether that gain has come from an enlarged pie. For, poverty is a relative concept, especially when those who did not experience the gain were not given equal opportunities.

No social changes can be made without causing disturbances to the status quo. To what extent can

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society progress within the confines of compassion? Can continued innovation and competition be guaranteed? Can opportunities be ensured for the disadvantaged after the redistribution of wealth and power? These depend heavily upon the philosophy, the art, the skills, and the capacity of society’s managers. This is exactly where public administration comes in. Public administration uses a multi-rationale approach to search for equilibrium, change that leads to a new level of stability. It takes into consideration the social forces at play, the change imperative, and the new achievements made in other disciplines, then translates them into social and governance action through institutional design, human and financial resource allocation, and technology application. A short definition describing the public management rationale might be “machinery coordinating human efforts to achieve socially acceptable human objectives”. It is social engineering.

Laissez faire economists are against control and social engineering, considering it a socialist product. Nonetheless, the market itself is a controlling mechanism (Lowy, 1959; Smith, 1937). Also, hundreds of years of capitalist practice have shown that as the market forces (industrial and financial entities) grow, market vices—such as monopoly, negative externalities, inadequate provision of public goods, mis- or asymmetric information, transaction-cost barriers, and so forth—also grow in impact and impede the healthy operation of the market. The fact that successful capitalism has moved from traditional (primitive peddler’s) capitalism through industrial and financial means to today’s close-to-rationalist capitalism is the strongest evidence that complete laissez faire did not work, especially in eras using extensive modern technology. The recent U.S. corporate scandals (Enron, Worldcom, Tyco International, Global Crossing, Xerox, and such) are more footnotes to this century-long wisdom. The real question, therefore, is to what extent should social engineering take place and how? This is a question public administration and management scholars have to answer.

It is no coincidence that many of China’s leaders have had engineering degrees. For one thing, social scientists were more or less suppressed during the past 50 years; for another, engineering is a process that combines human and financial resources, materials, and technology expertise to achieve project objectives. It is, in essence, a quasi-management degree. However, in the discipline of public administration, more extensive societal issues—such as culture, political history, international environment, social tolerance, state capacity, and so on —have to be considered. Given China’s lack of a comprehensive, modern, managerial-capacity-building discipline in the past, engineering was perhaps its closest disciplinary sibling, until in the late 1980s when departments of economics started to flourish. Now that public administration departments are being built, should they excel in curriculum design and research agenda setting and satisfactorily fulfill public administration’s disciplinary mandates, many of China’s future leaders could be expected to come from China’s public administration programs.

Interdisciplinary Competition and the Methods of Human Coordination

When discussions have come this far, it should be noted that while disciplinary rationalities are what divide academic disciplines in their pursuit of specialization, they do not necessarily confine what scholars in different disciplines do in their scholarship. In our modern times, because of the influence of system theory, interdisciplinary studies are becoming the norm. Enlightened disciplinary leaders are quick to recognize their disciplinary limitations in resolving social problems. They freely borrow concepts, theories, and methods developed in other disciplines, to advance their research or simply venture outside of their own disciplinary boundaries (consciously or unconsciously) to study issues not traditionally within their field. The extensive use of mathematical methods in economics, the use of statistical methods in political science, sociology and other social-science disciplines, the cross-disciplinary programs (such as biochemistry, geophysics, and so forth) are telling examples of these trends. The complexities of the modern world and the achievements made in varying fields are the driving forces for these interdisciplinary efforts.

In fact, many social issues are, by nature, intertwined. It would be hard to say which discipline should be authorized to study what. The Wealth of the Nations, for example, is at the same time a classic for students of political science, economics, and public administration. Herbert Simon, a political scientist by training (Ph.D., 1943 University of Chicago), has conducted research work cutting across fields from computer science to psychology, administration to economics, and philosophy. His latest university position is the Richard King Mellon University Professor of Computer Science and Psychology, and is a member of the Departments of Philosophy, Social and Decision Sciences, and the Graduate School of Industrial Administration. He won the Nobel Prize in economics for his theory on decision-making, which in essence informed
economists that their hundred-year-old optimality rationale does not work.

In a way, academic disciplines are human divisions necessary to overcome human limitations in solving the problems they face in the complex world, where no disciplinary boundaries exist. This academic division of labor encourages specialization and focused efforts on issues of social concern. Public administration grew out of the necessities of modern complexity and is designated as a discipline to help translate discoveries from various fields into action. It is, by definition, an interdisciplinary field. If public administration programs could not properly fulfill their expected roles, their functions could be displaced by other academic disciplines, such as law, political science, economics, sociology, engineering, or any discipline whose leaders are constantly pressuring the boundaries of their fields and looking for chances to expand their work. In this sense, academic disciplines cooperate, as well as compete. Public administration scholars could not take it for granted that they are the only ones doing what they are supposed to do. They are challenged to build a strong, academic program that can surpass traditional academic programs in implementing change and maintaining stability. The field needs a strong intellectual core that can attract an enduring group of disciplinary followers. In the following section, I shall discuss what I view as the intellectual core of public administration, methods of coordination.

Throughout the history of human civilization, three important methods of coordination have been invented. These inventions have made divisions of labor possible, and greatly enhanced the efficiency and effectiveness of human cooperation. In this sense, perhaps no other scientific discoveries can rival the achievements of these inventions.

One method is known as the market mechanism, through which market forces act as invisible hands to facilitate exchange, promote production, stipulate regulations on behavior, and provide incentives for skill, hard-work, and dexterity. The basis of market operation is monetary exchange. This method, though it has many desirable features, also has its defects, the market failures we understand so well today.

The second method is known as the bureaucratic-administrative method. The basis for this method is trust and political authority enforced through leadership charisma, contracts, laws and regulations, or hereditary-traditional power. When those being led have trust in their leaders and possess legally guaranteed rights and access to their deserved returns, they will comply with the directives of the authority, without bargaining for details of the exchange for each task they perform. This way, many intermediate transactions do not need to be measured, calculated in details and recorded (e.g., how much is paying a state visit to a neighboring country worth and how much should each person involved in the visit be paid). Through division of labor, a system of hierarchy, unity of commands, specialization, rules and regulations, written records, salaried personnel, and so forth, large-scale human coordination can be achieved with minimal transaction costs. All governments and large corporations depend heavily upon this management mechanism; however, it has defects of its own—monopolistic decision-making with no public inputs, misinformation or biased information input for decision-making, interest-group manipulation, insensitivity to the ratio of cost over returns, bureaucratic red-tape, short-term oriented political behavior, corruption, and such. These defects can be labeled as government failures, and the impact of these failures is much more socially extensive than the market failures, which are generally smaller in scale in comparative terms.

The third method for managing coordination is known as ideology inculcation. Through cultural and media influence, customs and rituals, value inculcation (or brainwashing efforts), shared consensus—or a value system within a community, social group, organization, or a nation—can be established. The Confucian values, the new Protestant spirit, various organizational cultures, nationalism, or internationalism, are all examples. This method is extremely effective when successful, since those being led will self-consciously abide by the established norms and behave accordingly. Additionally, material incentives or legal penalties can be reduced to a minimum. The weakness of this approach is that it takes a long time for a value system to formulate. The value system needs to be constantly reinforced, and is not successful with everyone. Therefore, no administrative system can depend solely upon value inculcation. More negatively, it has a powerful lagging effect, which means if a change is desirable or necessary, the already formulated value system often works against change; it dies hard. A minimum of twenty to thirty years (an effective generation) is often needed for any sensible change of mentality to form a momentum. Human society owes its survival and prosperity to its ability to adapt and change. Overuse of ideological inculcation can prove to be very costly and, at times, fatal.

The three methods each have strengths and weaknesses; however, they compliment with and offer an alternative to one another. They are used extensively in the public, private, and nonprofit sectors, to varying extents, with the government sector placing more emphasis on bureaucratic-administrative method. These methods differ in
importance in our social life as well. For example, while a society without market and ideology is bound to be a low-efficiency society, no large-scale society can function without administrative authority. A successful society is one that achieves a reasonable balance among the three. Only when that happens can human civilizations flourish. This is why Waldo said public administration “frames civilization, gives it a foundation, provides a stage” (Waldo, 1980, p. 18).

Throughout human history, East and West alike, all the great civilizations were invariably associated with strong public administration. When administrative infrastructure collapsed and administrative direction weakened, societies were left to chance currents and the luster of that civilization faded. Therefore, the central task of the public administration field is to study, refine, implement, and evaluate these coordination methods under different task environments and management scenarios.

The Relevance of U.S. Experiences to China’s Public Administration-field Development

I do not plan to go in to detail here. My distinguished colleagues from the United States can share their perceptions on this with you, but I would like quickly to mention a few points.

First, just as China’s public administration program is a product of reform, the U.S. public administration program is a product of the progressive movement that occurred towards the end of the nineteenth century and the beginning of the twentieth century, which emphasized science, reform, and the good life. As a discipline, public administration is intrinsically connected to reform. Interestingly enough, among its theoretical pioneers were corporate leaders and engineers (such as Chester Bernard and Frederick Taylor), as well as political scientists (such as Woodrow Wilson and Frank Goodnow).

Second, early U.S. public administration was also a hybrid with a strong foreign imprint. While domestic momentum for change and reform is a significant catalyst in the national mood to look abroad for lessons and experiences, the availability of outside experiences itself is a significant factor. During the progressive era, many U.S. scholars, including Wilson himself, were excited and influenced by German achievements in administration, science, and industrial prosperity. They borrowed German from experiences with enthusiasm, and worked hard to transplant many of them on U.S. soil. This was a tremendous help in an age of great reforms.

Thirdly, the United States is a large, developed country with a huge administrative system and diversified modes of practice. Its system is the closest to that of China’s in size and variability. As organizational theorists have repeatedly learned when studying human coordination, size is a constantly significant variable. In this sense alone, U.S. public administration methods could be an important source of reference for Chinese public administration.

In terms of impact, U.S. public administration (including business-management practices), has contributed greatly to the stability and long-term prosperity of the United States. The emphasis on science and management have provided a buffer to ease the sharpened social conflicts between capitalists and the working class during America’s period of industrialization, by advocating the win-win strategy in productivity improvement (scientific methods). They have reduced irregular political influences, fought against corruption, and facilitated building a strong executive branch. This eventually saved American capitalism, by easing the aftermaths of economic crises, speeding up social acceptance of diversity and equality, and waging wars on poverty. Also, the rapid growth of public administration programs throughout the United States has helped to build strong managerial capacities at the state and local government level, the mainstay of American civic life. Many outstanding management innovations nowadays come not from the federal government or businesses, but from state and local government entities (Osborne & Gaebler, 1992).

In recent decades, U.S. public administration has started suffering from its lack of research and academic leadership. Since the field started by emphasizing practice, it overlooked the necessity of cultivating basic in-house research and theory development. As the first generation of academic leaders (such as Charles Merriam, Louis Brownlow, Luther Gulick, Dwight Waldo, and Herbert Simon) faded into the background with age (Shafritz & Hyde, 1991), the next generation of public administration scholars found it hard to gain the same level of reputation, influence, and national visibility as their predecessors. This is, perhaps, due both to their foci on more specialized areas—such as science policy, constitutional law, organizational behavior, human-resources management, management ethics, or performance measurements—and the lack of need for them to reach out to other professional societies to fight for recognition. There are extremely bright and skilled individuals working in the field, but since not many of them view field development as their main calling, few have engaged in extensive theoretical work that deals with general theories concerning society—as a whole. Some have had great ideas, but
not enough efforts have been made to popularize those ideas among the general public.

This lack of basic research and theoretical strength could be partly responsible for the setback in public administration, since the Reagan Reform in the 1980s. Throughout the decades-long massive reform, public administration theorists failed to play a significant role until after Clinton's "reinventing the government." The theoretical thrust behind the Reagan Reform was one that grew out of the basic economic thinking of the early sixties, the public choice theory which used the economic rationale to interpret constitutional and managerial behavior. Although theoretically flawed and practically incomprehensible in explaining governmental behaviors, the lack of a better theory or lack of a more powerful theoretical challenge, made it the crown jewel as reform was begetting theoretical guidance. As a result, massive bureaucratic bashing, hollowed governmental spending, demoralized public employees, irresponsible public-budgeting behaviors, decreased governmental service capacity, misguided public sentiment, and so on, were the melody throughout reform in the United States. The tone was so negative that public trust in, and public support for, the government ebbed to a historical low (Palmer, 1994).

When the Clinton-Gore Administration came into the White House, they were badly in need of reform theories. What they found was the poorly hatched "reinventing theories," which were a rough mix of the decades-old scientific-management principles with sporadic ideas about public choice. Theoretical loopholes in the reinvention literature left reinventors no choice other than reinventing the theory of reinvention (Lan, 1995).

Moving into the 1990s and the twenty-first century, the sporadic success rate from the privatization reforms in many countries started to reveal that privatization could be a double-edged sword that should be exercised with care. Scholarly work started to appear, making a case for the value of public service. The 9/11-terrorist incident was a wakeup call to the American public that important governmental functions could not be displaced. With more public administration scholars starting to engage in discourse on the issue of governance, a new generation of public administration leaders is in the making.

One significant lesson to be learned by China's public administration scholars from American experiences is the importance of theory development. The basic studies of public administration should go beyond the foci of organizational, human resources, financial, material, and information-resources management. It should encourage using economic, political, or psychological methods to study the basic questions of management and administration. It should also work to perfect management rationality and methods, so that they can be used to study politics, economics, and psychological and social phenomena. Often, there are discussions among political scientists about the right-wing or left-wing view of a political ideology. For public administration scholars, "whichever cat that catches the mouse is the good cat" (Deng Xiaoping's well-known saying). And at different times, or even at the same time but in different locations, that mouse can signify something different, economic prosperity or individual freedom. Public administration theorists should help determine what those mice are, through their well-designed measurement system throughout the process of policy implementation.

Indeed, diverse but basic research is what truly strengthens the discipline. When themes and methods developed in one field are borrowed by other disciplines to advance their studies, the field commands respect. Herbert Simon can be viewed as an example. He is a political scientist by training, interested in management and economics. His management theory regarding decision-making cuts across a few areas of research and won him a Nobel Prize in economics. Are there future possibilities as such for public administration scholars?

Given that public administration is a field dealing with macro-management issues for society as a whole, it needs to have first-class scholars and students. While its hallmark is its emphasis on practice, it should not overlook its task in training young talent to engage in basic research and build a strong, intellectual core. Unless the field can produce work whose influence goes beyond its disciplinary boundary, the macro-impact of the field will be limited.

The Unique Challenges and Opportunities Facing China's Public administration Scholars

Although China's academic, public administration programs are relatively new, China's administrative history goes back thousands of years. This history has left a strong imprint on China's administrative theory and practice.

As an ancient civilization, China's legacy in administration is rich and versatile, though not necessarily modern. Just as the western world can trace its civilizations back to the Rulers of the Old Kingdom in Egypt (2780-2280 B.C., Webster, p. 1665), the Athenian Greeks (City-State, Socrates,
government was, “The World Belongs to the Public” (Tian Xia Wei Gong), versus the traditional philosophy that “Every piece of land underneath the heaven belongs to the King.” Sun’s republic was also short-lived, because of the powerful resistance of the traditional society. It started the country’s hundred-year journey, however, towards science, democracy, modernization, and reform. This is an important tradition that most western scholars tend to overlook in their research into the more remote, mythical, and either prosperous or corrupt Chinese historical periods, such as the Song (960–1279), Ming (1368–1644) and Qing (1644–1911) Dynasties, or in their interest in contemporary Chinese revolutionary histories (a combination of historical legacies and Russia revolutionary influence).

While Sun Yetsan started a democratic revolution that was mostly based on his experience in the west (the United States in particular), in 1911, China’s development was to be more influenced by the Soviet Union and Leninist theory. At the time, managerial-capacity building was mostly achieved by three routes: the military schools and colleges that trained military leaders (who later would be transferred to work in civilian capacities), the party schools or party-run Zhen Fa College (College of Politics and Law) that trained political leaders to maintain political control, and technical institutions (such as Colleges of Accounting and Finance) that trained cadres of financial experts. Certain aspects of managerial skills—such as organizational theorems, human-resources management, economic development, cultural ethics, international studies, and so on—were missing links in China’s management training. Therefore, when massive reform and development started and managerial talent was now needed, China had to tap into its language, history, philosophy, and economic departments and schools of engineering for these talents. There had been no lack of research on Sun Yetsen’s democratic theories and Marxist political theories that would be reflected or developed in Party schools. However, the mission of the former was historical studies, and the latter was mostly translating and interpreting Marxist works, rather than testing, validating, and developing those theories. As a result, when Marxist theories could not provide all the answers to China’s reform needs, the country was caught by surprise. This is exactly why, despite China’s genuine efforts to reform, it has kept repeating the same mistakes and encountering the same problems many other developed nations have before. Research that could inform decision-making is lacking and inadequate. By strengthening training and research in public administration, many of the
problems in its continued reform efforts could be avoided or reduced.

The unique administrative environment in China poses unique challenges to China's public administration scholars. First, the deeply entrenched macro-management infrastructure and cultural environment can be a serious challenge. The system has worked relatively well for China when compared to those in other ancient civilizations. Of all the great ancient civilizations—such as the Greek, the Roman Empire, the Babylonians, and the Egyptians—Chinese civilization seems to be the only one that has managed to keep its full-fledged vitality (a testimony to the maturity of its early development). Only in recent centuries, when the western world found new methods that helped create a new industrial civilization, did China's ancient glory start to lose its luster. Many scholars in China, as well as in the rest of the world, are still wondering what it was that slowed China down or sped the west up. The debate on what should or should not be learned from the west has lasted for over a century. While China's intellectual community has gradually and reluctantly adopted some western methods and ideology, under the pressure for change and progress (Zen Guo Fan), western weapons, Tan Si Tong attempted Japanese reform, Sun Yat-sun introduced western democracy to China, and Li Da Zhao imported Marxism-Leninism), many of them are still fighting to see how much of their core system can be retained. Additionally, strong legacies of social norms and culture are carried through popular customs, fictions, and entertainment programs. To be an agent of change in such an environment is no easy task.

Second, China's public administration programs are being formulated in the middle of a massive reform, and many social problems are already unfolding. Controlling the effect of an unfolding problem is often more difficult than preventing the problem from happening in the first place. When muddling through complexities becomes necessary, more frustrations will become the norm. Being a leader in such an environment means being responsible for more complaints, criticisms, and pressure. Besides, China's public administration programs do not have much time to ponder disciplinary issues, to develop their academic strengths, to train their field leaders, and to prepare large cohorts of high quality students to work together to promote China's administrative reform. There will be a period of confusion during which everyone can claim to be an administrative scholar, even without enough efforts devoted to the study of administrative issues. When the self-claimed expert messes up, the entire field is blamed. Or, in a different scenario, individuals with a solid knowledge of the field find it hard to implement management ideas and principles because of the lack of popular support and consensus. For this reason, China's public administration scholars have a real need to work hard, be conscientious and committed, and be ready to withstand a few setbacks before the field fully develops.

Third, the world's public administration has many new issues to reconcile. The global trend towards integration can be seen in China's industrialization, privatization, urbanization, and modernization. Before a child reaches maturity in this scenario, he/she already has to handle intricate relationships with neighbors, partners, friends, and the environment. He/she has to make decisions as to how to change, develop, and grow, and how to work with others who are also changing rapidly. What has happened in other countries over the course of a long period of time may have to happen in China very quickly. Otherwise China will not be able to stay on the same page when communicating with the outside world. This means, schools of public affairs in China may need to incorporate an international dimension, just as their counterparts in many western countries have.

Chinese public administration has great opportunities as well. The first is the opportunity to design and create. China's public administration is in a position to assist the reform that is already underway. Many new things have yet to fully evolve. The discipline has a unique opportunity to lead and influence the direction of China's reform. If done well, China's future prosperity could be attributable to the contributions made by China's public administration scholars.

Also, China's long administrative history has accumulated an enormous amount of management wisdom. When I was studying the fiscal, political, and legal methods in American intergovernmental relations—or studying organizational behavior and culture, interpersonal strategies, and management philosophies—I was surprised to find that what western scholars hold salient and innovative existed thousands of years ago in China. For example, Reagan's slogan that "the government that governs the best is the one that governs the least" is no different from the Lao Zhuang philosophy that managing a big country should be like cooking a small dish: taking it light and letting things run their own course produces the best results. The popular, postmodern thinking has remarkable similarities to Zen, which flourished in China thousands of years ago. Some of the proposed methods have been used or even abused in China to the extreme. When public administration has been raised to a field of study, the
country’s rich history can provide many positive and negative experiences upon which to draw.

Public administration is a high calling. It is about serving the public and achieving public purposes. While theories on ruling, governance, political games, and self-interest are an indispensable part of administrative practice, the core concerns of public administration are community, humanity, and collective well-being. At the heart of this discipline lie belief, dedication, and sacrifice, rather than self-interest, calculated goals, and basic animal instinct. To what extent should these ethics be taught, but not manipulated? China’s administrative and moral history has plenty to offer.

China’s feudal bureaucracies, civil-service systems, and management-supervision techniques can also shed light on the already well-developed western-management theories. After all, management theories deal with humans. Only now, a few thousand years later, human societies are operating at a different technological level, while the substance of humans and human interactions remains the same. Some questions still exist, such as “How can society deal with affluence, prosperity, and superpower positions?” and “How can society guard against system entropy (decay) and maintain economic and political vitality?” The faded Chinese Dynasties, as well as Western Empires, have vivid stories to tell.

Indeed, in contemporary China, challenges and opportunities coexist. China’s public administration scholars have a huge task to accomplish. At the same time, they have an opportunity to contribute to the modernization of China, as well as to the world’s treasury of management theories and, consequently, to the world’s long-term peace and prosperity.

Endnotes

1 Robert Lucas, 1995 Nobel Laureate in Economics for having developed and applied the hypothesis of rational expectations, and thereby transforming macroeconomic analysis and deepening understanding of economic policy.
2 Douglass C. North, 1993 Nobel Laureate in Economics for renewing research in economic history, applying economic theory and quantitative methods in order to explain economic and institutional change.
3 Amartya Sen, 1988 Nobel Laureate in Economics for contributions to welfare economics.
4 Friedrich August Von Hayek, 1974 Nobel Laureate in Economics for pioneering work in the theory of money and economic fluctuations and for penetrating analysis of the interdependence of economic, social, and institutional phenomena.
5 John Nash’s game theory on group efficiency.
6 In the modern market system, if a high-tech product does not make it to the top few in terms of quality and market shares, it would most likely be a failure and hard to even recover its investment.
7 Every piece of land under the heaven belongs to the Monarch, and all landlords governing those pieces of land are the Monarch’s subjects. Dong Zhou Lie Guo.
8 “Rites (Li) are essential…. Emperor and magistrate, husband and wife, father and son, each has his/her own place in which the emperor dominates the magistrate, husband dominates the wife, and father dominates the son…. Those deemed the revered should be revered. The Emperor should love the people (Ren).” See Confucius in Bai Hua Zhongguo Gu Dian Jing Cui Wen Ku. (1992).
9 “The law cannot be applied by itself…. It is not enough to have laws only…. An enlightened monarch governs officials but not the people…. When there are talents polities will take place and when talents die polities cease to exist…. Those who hold talents prosper those who have lost talents perish” (Zhang, 1990, p. 35).

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Political Reform in China in the 1990s: Implications for the Future

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The most important change in the world in the late 1980s was the disintegration of Soviet and Eastern European state power and the termination of the Cold War. It is a miracle that despite the "Disturbance 1989," China has managed to achieve rapid and sustainable economic growth, and has basically maintained political and social stability. Such a miracle has attracted much attention, and has elicited varied interpretations. No matter from what perspective one interprets this phenomenon or what beliefs one subscribes to, it is an irrefutable fact that profound and irreversible changes have taken place in China.

How can these great changes be explained? How should Chinese reform be evaluated? To understand Chinese reform as strictly economic and not political, or to accept the view that there is a complete absence of democracy in Chinese political reform, does nothing to convincingly elucidate the great social changes that have taken place over the past decade, nor does it conform to the facts. These changes are reflected not only in economic growth, and ameliorated quality of life, but, more significantly, in the profound transformation of social structure and in the development of popular conceptions of private ownership and civil rights. To cite Michael Toroda, "It is usually impossible for one country to achieve political or social developments without relative changes in its social, political and economic "institutions"" (Toroda, 1992). However, such far-reaching changes, especially changes in the political field, are not as obvious as the economic ones. As Andrew Walder put it, this is "the quiet revolution from within" (Hsu, 2001).

The aim of this article is to introduce the basic practices and elements of Chinese political reform initiated in the 1990s, and show the qualitative distinctions from the reforms of the 1980s. Because the reforms of the past decade necessarily developed out of earlier reforms, and to better help readers understand the trends in the political reforms of the 1990s, the first part of this article briefly reviews Chinese reform in the 1980s. The second part documents the basic content of the political reforms of the 1990s, identifying and broadly analyzing three basic features therein. The third part examines future prospects for political reform in China.

A Brief Review of Chinese Reform in the 1980s

The reforms first initiated at the end of 1978 in China have continued to develop for more than two decades. To analyze the performance of political reform in China in the 1990s, a brief review must be made of the reforms of the previous decade.

In the late 1970s when China proposed the goals of the "Four Modernizations" (i.e. comprehensive modernization of industry, agriculture, science and technology, and national defense), a historic process of social transition—from agricultural society to industrialized society—began. The reasons for China's poverty and underdevelopment during the first three decades after the establishment of the state lie in the

Abstract: Chinese political reform in the 1980s was concentrated largely on reversing many of the effects of the Cultural Revolution, such as the "personality cult" and the attitude of "what I say goes," and improving efficiency through streamlining administration and delegating power to the lower levels. The reforms of that decade demonstrate a certain passivity and vacillation. In comparison, the political reforms enacted in the 1990s tended to be theoretically conscious, entailing a progressive advancing political reform, which promoted change at many levels, concerning relationship between micro and macro, central and local, and state and society. Autonomy, internationality, and progressiveness were the key characteristics of Chinese political reform in the 1990s. In the near future, political reform in China will begin storming age-old fortifications, and only through uninterrupted institutional innovation can China effectively avoid a cataclysm from an "explosion of participation."
ideological commitment of the Chinese Communist Party to the idea of class struggle. The state placed very little emphasis during this period on economic development (Resolution on Historic Issues of the Party after Establishment of the State, 1981). The reform policies adopted in the late 1970s, aimed at "reinvigorating the economy," stemmed from a desire to rectify the widespread poverty and from a recognition of the importance of economic development. In other words, the reforms in their initial conception were focused on the national economic system, and their primary objective was the restructuring of the highly concentrated socialist planning economy and "Danwei/unit management" system.

However, this did not go as smoothly as people expected. Of the many obstacles encountered, the greatest were the constrictions of a timeworn ideology and socialist economy. This entailed a highly concentrated planning economy based on public ownership, and a centralized political system: "No separation between the Party work and the government work, no separation between the Party/government affairs and the enterprise affairs, no separation between the Party/government work and business units work and no separation between the Party/government work and the mass work." The highly centralized power system is carried out in economic, political, cultural and social sectors. Under such a system, the systems of economy, science and technology, and other sectors are politically, nationally and administratively institutionalized to a big margin, or say, they have become the attachment to the Party and the State with very limited independence and autonomy of their own" (Wang, 2000). This was because the highly centralized planned economic system and the old ideology were intertwined with the unified and highly concentrated political system. So, to reinvigorate the economy required overcoming the limitations of the outdated ideology and centralized regime. At the same time, a nationwide critical rethinking movement was launched to clear up the confusion caused by the Cultural Revolution. The focal point in rethinking the Cultural Revolution was the question of whether political authority was a "God" or a "Person." This rethinking also led to a national discussion as to whether "practice is the only standard to check the truth." This discussion raised strong criticisms of the previous practice/view of "political leader as god," propelling political authority to descend from the "temple" to the "earth." Moreover, it directly promoted the ideological emancipation of the people, and accelerated an ideological transformation. Good examples are seen in the theoretical ideas of "white cat and black cat" popular in the initial stages of the reform and of the "criterion of judgment based on whether it will be favorable for the development of the productivity of the socialist society, whether it will be favorable for strengthening of the comprehensive national power of a socialist country, and whether it will be favorable for improvement of the people's living standard" (Deng, 1992). In a certain sense, this far-reaching ideological emancipation movement created an atmosphere adequate for the initial education and propaganda of values of democracy and human rights, and laid an ideological foundation and set forth the theoretical prerequisites for the promotion of political reform.

Under the dual pressure of economic reform and the movement for ideological emancipation, the reform of the traditional centralized political system had to be added to the agenda. Actually, China was facing the same issue that all of the developing countries face during the course of political modernization, "how to transfer the legitimacy from individuals to the state power" (Almond, 1987). The reform of the political system carried out from the early to mid 1980s was primarily manifested in the following two respects.

Firstly, negative dynamics in the political life of the Party and the State, caused by the "cult of the individual" and the attitude of "what I say goes," which had appeared during the Cultural Revolution, were rectified through structural changes. Among these were the establishment of a provision on retirement and term limits for leaders at various levels (Deng, 1993), the transformation of the Chairman Responsibility System into the Secretariat of the Central Party Committee and the General Secretary Responsibility System (Resolution on Establishment of Central Secretariat), the reestablishment of the Discipline Inspection Commission of the Central Party Committee, the enlargement of the powers of the National People's Congress, the restoration of the Procuratorate and Court, dissolved during the "Cultural Revolution," the prohibition of the Party and its administrative organs from handling legal cases (Constitution of the People's Republic of China, 1982), and the restoration of the Lawyer's System, then suspended for 23 years. The above measures were taken to reform the malfunctioning political system, formed during the Cultural Revolution and characterized by highly centralized individual power. However, these reforms did not succeed in substantially breaking the old patterns of the traditional political system. As a matter of fact, it was a disguised restoration of the pre-Cultural Revolution system, rather than true political reform.

Secondly, in order to meet the requirements of "reinvigorating the economy," political reforms focusing on improving government efficiency,
streamlining administration and delegating power to the lower levels were enacted. For instance, in rural areas, reform was carried out on the existing People's Commune Structure: the administration township government was established to separate governmental administration from commune management (Notice on Implementation of Separation of Commune Management from Government Administration and Establishment of Township Government, 1983). In cities, government functions were separated from those of business, and companies could now carry out independent business operations, independent management, and had full responsibility for their own profits or losses and development. An administrative power division was created between the central and local sectors, and the greater decision-making power was granted to the local sector. In order to create a clear distinction between Party and government, policies were adopted to separate the functions of the two. Obviously, historical factors affect reform implementation—speeding up, slowing down or stopping the process—at any given moment. And Chinese political reform found itself stalled after the political disturbances of the summer of 1989.

There was no theoretical preparation for the reform of the political system, which was not taken as a process independent from the economic reforms, with its own unique connotations and value orientation. In other words, there was a lack of rational thinking regarding the goals and values of political reform, such as democracy and legislation, and as a result, the political reforms of 1980s were characterized by a passiveness and wavering. Passiveness here implies that the political reforms lacked an intrinsic dynamic power, necessitating further development in order to satisfy the requirements of the economic reforms and public opinion. Wavering means that these reforms were practiced as uncertain experimentation, fueled by a social psychology that sought stability and feared disturbance. Therefore, the reforms of the 1980s vacillated back and forth, and their effects were not as evident as those of the economic reforms. Although many people's expectations were not met, the reforms were carried out under extremely complicated circumstances and still managed to break through many old barriers. After all, the political reforms of the 1990s were based on those of the previous decade, and any of the more recent political developments are unthinkable without the reforms of the 1980s. If political reform in the 1980s is to be summarized in a single sentence, it would be: propelled by the strength of economic development, political reforms played an active role in breaking down the cumbersome restrictions of the old political system, and silently sowed the seeds of democracy.

Main Content and Special Features of Chinese Political Reform of The 1990s

By the early 1990s, China was enacting structural reforms to the socialist market economy (Jiang, 1992). With the intensification of market reform, it was becoming clear that the previous political structure was inconsistent with a market economy, and this tension was causing increasing conflict between different powers within the political structure. “Even a small development of the economic structural reform can show the necessity of the reform of the political structure. The achievement of reform of the economic structure cannot be maintained without the reform of the political structure” (Deng, 1993). Impelled by the development of the market economy, China started a new cycle of the multi-level and omni-directional political reform. The political reform of the 1990s has mainly focused on the following four major aspects.

Firstly, at the local level, rural areas have gained unprecedented levels of autonomy and democracy through the elections of villagers’ committees. The implementation of democratic institutionalization in China initiated from this fundamental construction. In 1987, the National People’s Congress promulgated the Organic Law on Villagers’ Committees, which stipulates that the director, deputy director and members of villagers’ committees shall be regularly (four years per term) and directly elected by the villagers. The law also stipulates that the villages shall function autonomously through democratic elections, democratic decision-making, democratic management and democratic supervision. So far, four direct elections have taken place in China. Some problems have arisen in these rural elections that have yet to be worked out, such as bribery, threats of violence, the influence of family and patriarchal clan. However, more than ten years of democratic practice has begun to bring about changes to the basic political life in China’s vast rural areas, and has promoted broad political progress. For instance, village autonomy has gradually reduced state political control throughout rural China. Villagers can now manage their own affairs according to law, altering the previous relationship of administrative subordination. Their autonomy and direct elections have effectively managed to cultivate a democratic spirit among villagers, fostering a consciousness of political participation and civil rights. And due to regular elections, terms of office and term limits, the villagers’ committees function with a legitimacy predicated on villagers’ “consent.” As such, the village leaders take a greater responsibility for
villagers, as opposed to previously when village leaders were responsible only to overhead authorities. Democratic practices in the rural areas have produced a tremendous influence on the democratic process in China as a whole. In recent years, in cities such as Beijing and An'shan, the direct election of leaders to community administrative committees has been enacted at the community level. For example, an open democratic election for a community management director was implemented in the Shihe Community of An'shan City, and Mrs. Zhangyu, an undergraduate from Liaoning University, aged only 27, won the election. In Dapeng Town, Shenzhen City and Buyun Township, Sichuan Province, there have been direct elections for town government.

Secondly, at the national level, there have been several significant reforms. The first of these has been carried out in numerous manners to reinforce the functions of the National People's Congress. For the purpose of introducing increased competition and greater motivation in the elections, the differential voting system has been instituted at different levels, most notably in the election of deputies to the People's Congress. In an effort to restrict the powers of government, the procedure for nominating candidates for government leadership has been reformed: Deputies of the People's Congress are allowed to independently nominate candidates for the government leaders, and differential voting may be adopted in the election of government leaders. As the supervisory rights of the People's Congress and their ability to limit the government have increased, the authority of the constitution has also been reinforced, and all organizations, including the Communist Party, must perform their duties within constitutional parameters. This has not only reinforced the function of the People's Congress, but also strengthened its autonomy. These reforms have played an important role in breaking down the highly concentrated power system, and represent a departure from the earlier political situation, wherein the Party, not the government, controlled administrative affairs. For instance, Party-nominated candidates in several provinces and cities lost their bids for deputy to the People's Congress to candidates independently nominated by congressional deputies.

Another element of national reform is seen in the great efforts to improve the judicial system. For instance, the procedures for adversary proceedings were improved, a system for investigating misjudged cases was established, a functional separation was created between case investigation and judgment, the system for the withdrawal and challenge of judicial officers was set up, the chief judge selection and appointment system was implemented, a rehearsal system was instituted in order to promote a sense of procedural openness, and court judges must now wear a uniform and use a gavel. These reforms have played a very important role in promoting judicial authority, guaranteeing judicial independence, and ensuring a sense of fairness and justice.

Administrative reform has been initiated to solve the problems of inflated government organizations, oversized staffing, the mixing of governmental functions and business management, and overwhelming bureaucracy, and to establish a new type administrative system corresponding to the construction of a market economy and democratic politics. For instance, the transformation of governmental functions has led to the implementation of the civil service system, characterized by classified management, open selection, and competitive employment. A new cycle of institutional reform was carried out in 1998, expanding on those reforms enacted in 1993, resulting in the reduction of the number of state council subordinate organizations from 40 to 29 and the number of government personnel by 50%, from 32,000 to 16,000 people (The State Council, 1998). This institutional reform is the most significant one, and is now extending deeply into the county and township levels. It is estimated that four million government employees will have left their offices by the time this institutional reform is completed.

Further national-oriented reform is evident in the series of regulations instituted to monitor the use of public power and restrict corruption. Corruption has been a significant and frequent problem throughout the transformation of Chinese society from a planned economic system to a market economy. However, corruption persists in various forms, through the enforcement of public power for private interests, and the continual spread of corruption indicates a lack of a definite, open and compulsory system within the institutional construction for supervising and restricting public power.

However, great strides have been made in combating corruption over the course of the past decade. A series of systems to supervise the procedures of employing and dismissing cadres was set up. These include a system for public recruitment and public examinations, an inspection to examine cadres during their terms, a system for switching cadres and examining them when they are leaving office, etc. At the same time, some initiatives were taken to improve daily management and supervision, such as the systems for leading cadres' talks, an anti-corruption system, a system of answering questions about public service staff, and an external supervision system to monitor corruption and the enforcement of the law. In August 1993, the civil service system was initiated, and Party organizations, the National
Congress, the Chinese People's Political Consultative Conference (C.P.P.C.C.) and social organizations were then bound by its regulations. The expansion of democracy is at the heart of these policies, instituting and governing examinations, recruitments, rotations, resignation and the dismissal of public employees. As stated earlier, more than 3600 persons have been dismissed from government organizations at various levels, since the implementation of the civil service system. From October 1997 to September 2002, there were 861,917 cases registered by the disciplinary inspection institutions across the country, 846,150 persons disciplined within the Party or administratively, resulting in 137,711 dismissals from the Party. There were 37,790 persons who were both dismissed from the Party and criminally charged. Among those C.P.C. cadres disciplined, there were 28,996 from the county level, 2,422 from the departmental level, and 98 from the provincial level (The Central Discipline Inspecting Commission of the Chinese Communist Party, 2002).

Governmental behaviors, especially public administrative activities, were standardized and supervised. A series of rules concerning cadres' honesty and self-regulation has been initiated since 1989. These include the Measures Concerning Party Disciplines to Deal With Cadres Over County Level Violations of “the Five Stipulations” of Anti-corruption and Self-controlling in the Party or Governmental Organizations, Views Concerning the Implementation and Handling of “the Four Stipulations” of Cadres in the State-owned Enterprises to be Honest Against Corruption and Self-controlling, Stipulations Concerning the Income Declaration of Cadres over the County Level in the Party and Governmental Organizations, Stipulation that Public Employees in the Party and Governmental Organizations Should Register Their Presents Received in Domestic Contacts, Stipulations Concerning the Reporting of Important Personal Affairs by Leading Cadres, and so on. At the same time, China's legal construction developed three elements to legalize the supervision and restriction of cadres. Firstly, laws such as the Administrative Review System, Administrative Inspection Law and Administration Penalty Law were implemented, forming a unified administrative procedural law, a perfect legal inspection for the administrative enforcement of law and a relief system. Secondly, in the field of juridical inspection, the Administrative Litigation Law was formulated, which developed China's litigation system. And thirdly, the State Compensation Law was formulated to protect the rights of citizens, legal persons or organizations in gaining compensation for losses. These laws are of great significance, not only in the standardization of the public administration sector's legal enforcement and the protection of individual rights, but also in formulating an effective restriction system.

The third major focus of Chinese reform in the 1990s was the relationship between national and local governments, resulting in a more rational division of power. Although great progress had been made in many respects, the question of centralization remains problematic. "Centralization creates stiffness, while decentralization creates confusion," sums up many of the administrative problems in the restructuring of government power, and the perpetual back and forth cycle between centralization and decentralization. In order to counteract this phenomenon and meet the demands of the market economy, the idea was introduced in the 1990s of dividing powers of office between the central government and the local government. This systemic reform has been carried out in the tax distribution system, and the range of authority on financial revenues and expenditures has been re-divided between the central and local governments. Central and local governments have both established their own independent inspection and collection systems to handle tax revenue affairs. This new financial system has substituted the previous financial management system, in which lower-level government has the burden of contracting to higher-level government, by conforming to the economic structures of a modern society.

The final category of Chinese reform of the 1990s has been that attempting to rationalize the relationship between the state and society. The early stages of reform, the larger political ideals at work were not popularly evident. So, the reforms were seen only as a move away from highly centralized governance, as a re-distribution of the powers between different governmental organizations. No major regulation was made regarding the relationship between the state and society. Although the reform instilled local governments with a new vitality, it had not yet touched the major concerns dealing with the operations of the public sector (i.e. the political domination of the economy) and the state domination of society. The only change in transferring the powers of the central government to the local was the subject of political governing, but not the governing itself. Such practices did not produce the estimated effect, and instead, new problems occurred (e.g., the arising of the local protectionism). The high nationalization of society can certainly improve the organic mobilization capacities, and accelerate high economic growth within a short period under some circumstances. However, it cannot substantially solve the problems of dynamic power and coordination for economic and social developments, and it cannot
create a modern society full of energy, vigor and innovation.

In 1990s, regulations dealing with the relationship between the state and society were revamped so as to solve the fundamental problems in the Chinese social sectors (i.e. the strong domination of the state over society). These reforms have been manifested primarily in the following ways: (1) Making the new market the basis for the allocation of social resources, thus enabling the social and economic sectors to gradually rid themselves of the direct control of state administrative powers, and to enjoy a certain level of autonomy. (2) Through revising the constitution, the legal position of private economy and property was established. According to the latest China Wealth Report, state enterprises and enterprises with shares held by the state account for 31% of capital, and individual and private enterprises account for 38%. However, in comparing capital ownership and structure, the state owned estates only account for 26%, and the domestic individual inhabitants account for 57% of the total capital. This data demonstrates just how significant the changes to utilization and ownership of the capital have been (Fan, 2003). (3) The establishment of the social security and social relief system, enabling socialization of urban public welfare. (4) The reform of the state and social organic structure, and the changes to the previous tendency toward administration of social organizations. Enterprises and other social organizations will be gradually separated from the state administrative organizations, and they will no longer exist as an administrative unit of the state. Instead, they will become independent corporations with a well-defined legal position. These social intermediate organizations, independent from public organizations, may play an important part in protecting civil rights. For example, there are about 12,000 lawyers' inns, together with 120,000 lawyers, whose role is to protect the rights of citizens and provide legal aid. On August 18, 2002, Chinese Commerce reported that the police had arrested a couple living in Wanhua, Yan'an, Shaanxi Province, confiscated their VCD player and detained them for watching pornographic discs at home. This report led to an extensive societal dispute. A lawyer from Beijing claimed that "it's against legal procedure to get in citizens' home without wearing police uniform, and showing credentials," "it's citizens' liberty to do what law does not prohibit," and "it's one of citizens' privacy rights to watch pornographic discs at home." He asked the police department to apologize to the couple in public, compensate them, and to punish the policemen who violated the law. The police conceded to these demands. (5) The enactment of the Organic Law of Villagers' Committee and the Organic Law of Urban Household Committee, enabling the realization of local autonomy. (6) The reform of the state control patterns on society. Compulsory administrative instructions and planning will no longer dominate, and instead, legal and economic measures have been adopted to regulate and control the operation of the society. The above reforms have accelerated the structural social changes, increased social mobility, promoted autonomy and internal coordinating capacities, and greatly enhanced social productivity.

The reforms of the 1990s have altered the face of China, and are distinct from those of the 1980s. Although the reforms of the 1990s were predicated on those of the 1980s, they established a unique set of values and ideas (i.e. democracy, legal administration, and civil rights). Political reform is now understood as imbued with these concepts, rather than as a necessary coincident with economic reform. For instance, at the 15th National Congress of the Party held in 1997, the mission to govern the country according to a strong legal code was established as the basic strategy for the state administration. This process will "gradually achieve the institutionalization and legalization of the socialist democracy, and such a system and law cannot alter due to substitution of any leader, and cannot twist due to the changes of the attention and opinions of any leader" (Jiang, 1997). This, of course marks a major conceptual shift for the Communist Party regarding administration. Political reform itself is now the strategic mission, which marks a change from the passivity of the earlier reforms, and enables the reform process not just to break down the old system, but also to establish a new one. The 16th National Congress of the Party has enthused a peaceful and normal alternation of the Central Committee leadership for the first time in the 50-year history of the Chinese Communist Party.

Another key distinction for the reforms of the 1990s has been the adoption of an internationalist and humanist standard, breaking away from a purely Chinese understanding of civilization. The new reform guidelines imply that "we must start in consideration of the national conditions of our own country, sum up our own practical experience, and learn from the helpful achievements of the political civilization of human beings" (Jiang, 2002). For instance, foreign electoral experiences were examined in the establishment of the direct election system for the Villagers' Committee. In order to standardize administrative actions and create a legal mechanism for the supervision and restriction of administrative power, we have formulated the administrative litigation law, state compensation law, law of supervision over administration and law of administrative review. These laws offer an institutional arrangement that provides an
administrative remedy for citizens, corporations and other organizations. We have revised the criminal laws and criminal proceedings code, and established the doctrines of crime mala prohibita, matching the punishment to the crime, and the presumption of innocence. These doctrines were imported based on the successful experiences in the establishment of legal systems abroad.

The 1990s reforms have a progressive quality that distinguishes them from earlier reforms. In a huge country like China, the pursuance of radical political reform can easily lead to social instability. As American scholar Huntington said, “the state of modernization produces stability while the process of modernization may cause social instability” (1989). In order to guarantee sustainable social development in China, the more than 10-yeast practice of political reform in China was enacted in a stable and progressive way. For “integrating the dynamic power of reform and development process with degree of public acceptance” (Jiang, 2002), great attention should be paid to the feasibility of reform policy selection and the order of the development process. The progressive development strategy emphasizes that political reform should be implemented in a sequence from easy to difficult, from experiment to popularization, and from partial to whole.

Future Prospects of Political Reform in China

The political reforms of the past two decades, and especially those of the 1990s, have played an unparalleled role in improving human rights and in the promotion of economic development and social progress in China. However, the political reform mission is not yet complete, and China still has long way to go to achieve true democracy and legal administration. Future political reform in China will have to anticipate many uncertain factors. Political reform must involve the re-distribution of powers and the re-adjustment of the relationship of interests. What’s more, competition and conflict between different forces and interest groups cannot be avoided. In fact, the political reform process is inherently a process of competition between different political forces. So, nobody can design a perfect, faultless and feasible reform plan, and it is unrealistic to require the actual process absolutely adhere to the envisioned process. Therefore, I would like to forward some ideas on future political reform, based on a knowledge of the real situation in China.

Through more than 20 years of reform, great changes have occurred in the social structure, forming different interest groups and a diversification of values. Since joining the WTO, the rules of international economy and economic globalization have also had an incredible effect on China. The ordinary citizen’s awareness of autonomy, rights and participation has obviously been reinforced, and the requirements for punishing corruption have grown stronger. The leaders of the new generation must continue these reforms if they want to perform well and maintain political legality in the future. The continuation of political reform has become a common assumption at all levels.

In the coming five years or so, reform will enter a new stage, and challenge certain fortified positions. As mentioned above, reform has so far entailed a gradual process. Based on necessity to maintain stability, reform policy has been largely directed at those entities that will not cause social disturbance. In certain fields, reform has been strictly nominal and the scope of implementation limited. On the other hand, we should see that “through the accumulative effect produced in the progressive reform, the political system in China is now gradually getting rid of the features of the previous personalized, non-institutionalized and unstable system” (Xu, 2000). On the other hand, facing the real situation in China, where after years of social change, there is a public demand for mass participation. A new political system based on “public competition” has not yet been formed. The social transformations in China present a danger of a “participation explosion.” In recent years, the conversion of the “leaders’ pattern” and “pattern of administration,” and the allowance of the owners of private companies to join the Chinese Communist Party, signify a reply to such danger. This means that “China has not yet stepped into the post reform times, and instead, it is riding a tiger and finds it hard to get off, and it has to continuously seek for the way out for ‘passing the barrier for reform’” (Ji, 2002).

Finally, there is the question of promoting political reform in China. Facing this potential “participation explosion,” how can we ensure safety, and turn the “participation crisis” into a dynamic power of the reform? I believe that this can be done only through institutional innovation. That is to say, we must construct a diversified system of expressing the popular will and peaceful settlement, provide proper procedures for public selection and a platform for institutionalization, improve the capacity of the political system to absorb various forces and factors and resolve conflicts of interest and social contradictions. This institutional innovation can be implemented in the following three ways: (1) We must promote democracy within the Party. We need to establish a democratic mechanism for consultation, public discussion, mutual surveillance, stable cooperation, peaceful competition, and decision-
making within the Party. (2) In order to strengthen its powers and promote democratic practices, we need further reforms of the National People’s Congress. We must improve the procedures and methods for deputy nominations, reduce the scale of the Congress’s conferences at all levels, extend the duration of the conference, and make congressional deputies a specialized position. (3) We must extend the successful experiences in direct elections in the villagers’ committee to urban communities, and later we shall implement democratic procedures at the township level. Of these three future reform paths, the realization of democracy within the Party will be difficult, expanding democracy in the National People’s Congress is the key point to political reform, and the promotion of basic democracy will be the foundation of political reform.

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On Governmental Reform in China: Two Suggestions from Japanese Experiences

Guirong Mao, Meijigakuin University (Japan)

Over the past two decades China has promoted the transition from a traditional planned economy to a market economy, but has tried to make this transition with poor administrative efficiency and large government. The Chinese government has introduced and carried out comprehensive reforms, and we have seen the results of their policies in the great changes throughout the country. Rapid economic growth and great social structural change have created a powerful impetus for an efficient modern government. Through a bold redefinition of government—the separation of government from business, decentralization, the establishment of a civil service system, and numerous structural reforms—the Chinese government expected to transform into an efficient modern government. It is safe to say, however, that governmental reform has not been the success story that economic reform was. This paper explores two of the necessary further reforms, targeting the basic problems of government size and poor central-local government relations. The purpose of this paper is to introduce two ideas promoted and practiced in Japan, the ceiling control system and the fusion system for intergovernmental relations. For this argument, a short summary of Chinese governmental reform is given in the first section, followed by a description of the two practical frameworks in Japan. Finally, in section 4 the relevance of these frameworks in China and their application through a revision of current reform practices are discussed.

Government Reforms in China

Government reforms were implemented three times in the Mao era (1952, 1958 and 1961), followed by four reforms in the post-Mao period (1982, 1988, 1992 and 1998). There followed the economic reforms initiated in the 1980s, at least three important governmental reforms, accompanied by a slogan of government function transformation. All of the reforms occurred after the appointment or re-appointment of the Prime Minister. The main focus of governmental reform has been: 1) the functional separation of the Party and the government; 2) the functional separation of the government and business, transformation of governmental economic functions to a market mechanism; 3) cut backs or downsizing (the number of departments and commissions in the central government have been cut from 52 in 1982 to 29 in 1998); 4) the establishment of a civil service system; 5) decentralization; 6) the implementation of a legal system for administration (Li, et al., 1996; Mao, 1999b).

Following the reforms of the post-Mao period, especially with the transference of economic management powers to local governments and the market, the structure and function of the government underwent drastic changes. But, as many have

Abstract: This paper explores the, as yet unresolved, crucial question of how best to conduct reforms aimed at controlling government size and improving relations between central and local governments. It suggests two ideas widely promoted and practiced in Japan, the ceiling control system and the fusion system of central-local relations. I argue that China could set up a ceiling control system to fix the total number of governmental departments and commissions and the maximum number of staff, and establish an institutionalized "fusion system" to promote decentralization. The paper demonstrates how these can be implemented to revise current reform practices.
indicated, in China there are two basic historical trends: 1) a “mysterious circle” (guai quan) between decentralization and centralization, especially with regards to economic management; 2) a “mysterious cycle” (guai quan) of expansion-cutback in government size. It’s well known that the “mysterious circle” was at work during the Mao era as well (Liu, 1998; Liu, et al., 1998; Ma, 1996; Mao, 1999b; Xin, 1994; Zhongyan jigu bianzi weiyuanhui, 1993).

Throughout the 1980s, many government reforms were implemented in China, but the size of the central government did not shrink at all. The last government reform in 1998 proposed to cut administrative staff in half, but this was never carried out (Brodsgaard, 2002). Moreover, as administrative demands increased, as with the establishment of a social security system, the size of the central government began to expand again. It seems that the “mysterious circle” (guai quan) of cutback-expansion will invariably continue. Controlling government size is still one of the basic problems in China (Liu, 1998; Xin, 1994).

In regards to central-local government relationships, reforms often oscillated between centralization and decentralization in the Mao era (Dong, et al., 1996; Hao & Lin, 1994; Liu, et al., 1998). In the post-Mao reform period, central-local relations improved somewhat with the introduction of the new tax system (the tax-sharing system, or fen shui zhi) in 1994 (Wang, 1997; for the discussions in China, see Dong, et al., 1996). However the basic problem remains unresolved. An instructive case of the problems of (de)centralization is that of investment: decentralization promotes economic development towards a “hot” economy. It then becomes excessively “hot.” To adjust the “hot” economy, retrenchment policies are enacted, recentralizing economic management powers and, in turn, producing economic slowdown and recession. The so-called “yi shou jiu si, yi fang jiu luan” phenomenon, meaning that vitality is lost with centralization while it becomes a complete mess as with decentralization, is still very relevant (Hao & Lin, 1994: Wu & Zhang, 1995).

To counter the two “mysterious cycles” discussed above, here I would like to introduce two frameworks constructed and practiced in Japan for controlling government size and improving central-local government relations. I contend that China could introduce the ceiling control system used in Japan to

**Figure 1 Number of Employees by Industry (1970-1999)**

fix the total number of departments and commissions, even bureaus within the central government, as well as the maximum number of total staff in the central government. Within this kind of ceiling control system, the central government will transfer more economic affairs to the market and transfer more administrative affairs to local governments. In addition, China could introduce the “fusion system” of central-local government relations, also practiced in Japan.

Controlling Government Size

Postwar Japan has maintained a very stable and small-scale government. Japan has been largely ignored in the study of comparative government (Rose, et al., 1985; Rowat, 1988). Here I will cite some data by the Japanese government. From Figure 1, we see the decrease in the number of national employees, which includes the Self-Defense Forces, and a slight increase in the number of local public employees, which contrasts with the growth of employees in other industries. If we compare the total number of public employees, including employees in national, local governments and public corporations, with those of other developed countries, we find the size of the Japanese government to be the smallest. Figure 2 shows that in 1990 the ratio of public employment to total employment in Japan was almost half that of Germany and the USA, and less than half of the ratio in Britain and France. Of course, some may attribute that to the fact that Japan does not have a full-fledged defense force. However, Figure 3 provides additional data from 1998, comparing each country’s public services to the total population, excluding defense forces. Japan’s figures are still the smallest.

Moreover, as we focus on the central government, we see that from 1957 to 2000 the entire number of national government employees increased a little, under the high pressures of the high economic growth period, but it has been gradually reduced and kept stable since the late 1970s (Figure 4), despite their adoption of the welfare state model in 1973. In addition, throughout the entire post-war era, as shown in Figure 5, there has been no notable increase in the number of government ministries and agencies (1952 to 1999). How to measure the size of the government is a difficult problem, but from some of the standard measurements taken, we can safely describe the Japanese government as small (see Tanz and Schuknecht 2000, for the same conclusion with different data).

How have the Japanese managed to keep their government so small? One of the reasons is the “ceiling control system” (zongliang guishi). In 1967,

<table>
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<th>Country</th>
<th>Ratio (1990,%)</th>
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<tr>
<td>Japan</td>
<td>8.1</td>
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<tr>
<td>Germany</td>
<td>15.1</td>
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<tr>
<td>U.S.A</td>
<td>15.5</td>
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<tr>
<td>United Kingdom</td>
<td>19.4</td>
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<td>France</td>
<td>22.6</td>
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Note: Public Services include National Public Service, Self-Defense Forces, Local Public Service, and Employees of Government Enterprises.
a program was initiated to reduce the number of public staff, and in the same year a law entitled “Fixed Number of Personnel of Administrative Organs (Total Staff Number Control Act)” was passed. It set a ceiling for the total number of staff in the Japanese central government. The Total Staff Number Control Act sets the total number of employees for central government organizations. For instance, the revised Total Number Control Act in 2002 set the maximum number for central government ministries at 534 thousand. Then, the cabinet allocates each ministry or agency a fixed number of employees within the total number set by the Control. Each Ministry or Agency in turn has the discretionary power to control the allocation of staff within their fixed allotment. This system is designed to allocate or reallocate employees between government organizations within the fixed numbers (Masujima, 1997; Tsuji, 1984). The reduction of personnel, in sectors with declining administrative demands or high administrative efficiency, creates a “pool” from which employees can be reallocated to sectors with increasing administrative demands. The reallocation occurs through the annual request of ministers and agencies for increased employees in the expanding sectors. As shown in Figure 4, the number of officials in the central government started to decrease in 1967. Until 1984, the Management Agency and, from 1984-2001, the Management and Coordination Agency considered the various agencies’ requests, together with budget set by the Ministry of Finance. Today the process is overseen by the Soumuho (MPHPT).

We can see the same ceiling control mechanism in other areas as well. The number of State Ministers was limited to about 20 by the Cabinet Law. For a long time, the Japanese government was called a “one Prime Minister’s Office, 12-Ministry system.” Besides the 12 Ministries, there are many Agencies and Administrative Commissions (increased from 29 in 1952 to 33 in 1999), yet only a few Agencies (increased from 5 in 1952 to 10 in 1999) headed by the Ministers of State have a formal status equivalent to a Minister serving as a member of the Cabinet. In fact, it was a 20-department system (and now a 12-department system, after 2001). During the economic growth period, while some new agencies like the Environment Agency and the National Land Agency, were established in the Prime Minister’s Office (now the Cabinet Office), the total number was largely maintained (see Figure 5). In addition, a policy of reducing one bureau per ministry (or agency) was adopted in 1968 when the ceiling control system was first implemented. After that, the so-called “scrap and build principle” was established. Under this system, any ministry or agency requesting the creation of a new unit had to abolish one of its existing units. The number of bureaus in the government is kept under 128. Even under the increasing demands of the administrative service during the high economic growth period, the size of the central government was strictly controlled. To institutionalize this practice, the National Government Organization Law was revised in 1984, giving the government the discretion to review organs below the bureau level, but setting a

Figure 3 Ratio of Public Employees to Total Population (1998, %)

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<th>Country</th>
<th>Ratio</th>
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<tr>
<td>Japan</td>
<td>3.6</td>
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<tr>
<td>Germany</td>
<td>5.9</td>
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<td>U.S.A</td>
<td>6.7</td>
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<tr>
<td>United Kingdom</td>
<td>7.6</td>
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<tr>
<td>France</td>
<td>8.7</td>
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ceiling on the total number of bureaus (128) within the central ministries and agencies. We also see the same ceiling control mechanism in the budget system and in the local governments. We will not go into the details here, however.

Through the control of the number of public employees and government organs, we can see how the mechanism of the ceiling control system has been formulated in the Japanese government. This mechanism is an artificial one. It is in itself not a rational system, but it provides a good means to control the size of the government (Mao, 1999a, 1999b). It should also be noted that this system combined elements of both flexibility and rigidity in staff allocation and organization (bureau) setup. On the one hand, it fixes the total number of staff and organs (bureaus), but at the same time it gives the government the discretionary power to reallocate the staff and set up new organs following the "scrap and build principle."

I should note that there are some other reasons for Japan's "small government" that are worth noting. One is the "big-room-ism." In Japan, there is no position-classification system. All of the staff for each division shares one big room. Not even the division chiefs have separate rooms, nor do they have private secretaries. This group-oriented working style lets the people in the same division share duty without increasing staff. There are undoubtedly responsibility problems that arise from this sort of group work situation. If everyone shares responsibility, than no single person takes on special responsibility, even the person who is in charge. This is a very probing question in Japanese administrative studies, but the method has kept each division small (Mao, 1999a, 1999b; Nishio, 1998).

We should also acknowledge that there is a functional relationship between the small central government and the developmental state, regulations, administrative guidance and centralized central-local government relations. Through delegating its affairs to local governments and keeping control through involvements with and regulations over local governments, the central government is able to implement its administrative functions without increasing its size. The consequence of this was that local government employees increased by one million from the 1960s to the 1980s. After the high economic

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**Figure 4** Change in the Number of Central Government officials (1957-2000)

![Graph showing changes in the number of central government officials from 1957 to 2000.](image)


- A=B+C National Public Services Excluding Defense Forces
- B=General Ministries and Public Enterprises
- C=National School, Hospitals, etc.


Note: National Public Services include Central Government Personnel (above 500 thousand), Government Enterprise Employees and other staff. For the total number of national employment, including the Defense Forces (about 280 thousand), see Figure 1.
growth period, these numbers stabilized, and have decreased in recent years through ceiling control for local governments. Regulations (more than 10,000 items) and administrative guidance contribute to the existence and maintenance of the small government as well (Mao, 1994a, 1999a; Okimoto, 1989; Vogel, 1996). Moreover, we should indicate that advisory councils and public corporations (cf. Figure 4) increased during the high growth period, all of which can be explained through their links to "small government." We can find the same roles in the intermediary associations in the business sector (Kim, et al., 1995; Mao, 1994a, 2002a). The cooperation between government and business (Evens, 1995; Johnson, 1982; Okimoto, 1989) is another one of the important factors in keeping government small. In precisely this sense, scholars of Japanese bureaucracy have indicated that the Japanese government system is a "maximum mobilization system." Stemming from the competition between government ministries and agencies, which had been criticized for its sectionalism, each ministry or agency mobilizes resources that they can get in their jurisdiction, including the cooperation of the private sector, for economic growth and modernization (cf. Kim, et al., 1995; Tsuji, 1984). The ceiling control system works as a constraining system to push the government to look for and mobilize all possible resources.

More interesting for us is that this system has persisted through recent government reforms. The cutback of government functions has been an important issue in recent government reforms in Japan (as well as in other countries). There are many aspects to these cutbacks, such as deregulation, privatization of operations and projects, and transfer of administrative functions from the government to the private sector (Mao, 2000). Also, the reforms have involved a revision of the "ceiling control system." The total number of personnel and government organs will continue to be tightly controlled. The new central government initiated in January 2001 was reorganized into a 12-department system (one Cabinet Office, 10 Ministries, one Self-Defense Agency), and the number of State Ministers was limited to a maximum of 17 (Cabinet Law). It was also decided in the Central Government Reform Law that, in large ministries, the number of internal bureaus per ministry should not exceed 10. The total number of bureaus in the central government was drastically cut back, from a total of 128 in 2000 to be reduced to 96 in 2001 and to 90 in the near future. The total number of divisions in the internal bureaus of ministries and agencies, which was counted at about 1,200, has now been reduced to 1,000 and will be further reduced to 900 in the near future. Within those limits, government organs have discretionary power to reform or reorganize, as they deem appropriate. In addition, the Total Staff Number Control Law was revised in 2001, and a new plan for staff reduction was formulated. In the first 10 years of the plan, overall government staff shall be reduced by a minimum of 10 percent (Mao, 2000, 2002a, 2002b).

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**Figure 5** Change in the Number of Ministers, Agencies and Commissions (1952-2002)

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<td>0</td>
<td>5</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>A+B+C Total Number of Central Government Offices</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>B Administrative Commissions and Agencies</td>
<td>7</td>
<td>9</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>C Prime Minister's Office and Other Ministries</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>D Administrative Commissions and Agencies headed by Ministers of States</td>
<td>2</td>
<td>2</td>
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From this, it is quite clear that the "ceiling control system" has been one of the most important frameworks for controlling government size in postwar Japan (Mao, 1999b) and has been used for more than 30 years. As we have seen, the Japanese government, especially the central government, is not a big government, and will soon become even smaller. The ceiling control system is a useful framework for controlling government size. I will argue that this system can be useful for cutting down government size in China. Before turning to China, we first move to an analysis of the central-local government relations in Japan.

**Improving Central - Local Relations**

The central-local government relationship in the Japanese system is called the "Centralism-Fusion" system. I believe the central-local fusion system is useful for China to resolve the "guai guan" (mysterious circle) of the decentralization-centralization cycle. First, we should review central-local government relations in Japan.

Before 1945, Japanese local governments were firmly controlled by the Ministry of Home Affairs, and the Home Affairs Minister appointed and removed the local governors and mayors. During the Occupation period, the GHQ abolished the Home Affairs Ministry (although a new Ministry of Home Affairs was re-instituted in 1960), and most powers were placed in the hands of the local governments. Local government structures are based on the American idea of the separation of powers, combined with a parliamentary system. Most of the relevant positions were changed to elected posts, including the members of the local education boards. The elected local authority is a vital element in Japanese democracy (the Local Autonomy Law, 1947).

However, the share of taxes kept by the local government was for a long time about 30% (now 40%) of total taxes. From this, local autonomy in Japan is criticized as a "one-third local autonomy" (cf. Kolke, 1998; Reed, 1982). In contrast, the taxes kept by central government account for a significantly larger share, over 60% of total taxes. On the other hand, over 60% of the total government expenditures go to local governments (Figure 6). Thus, there is a sizable gap between tax revenues and expenditures in local governments. It should be noted that the amount of local tax revenues is not as low as in many other countries; indeed, it is almost the highest of any unitary state (Lijphart, 1999).

Due to this gap between revenues and expenditures, local governments receive a local tax, allocation transfers, national treasury disbursements, grants-in-aid and subsidies from the central government (Figure 6). Ideally, the financial resources of a local public organization should be covered by local tax revenues collected by that organization. However, it is argued that, in reality, tax revenue resources are scattered unevenly throughout

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**Figure 6 Distribution of Tax Resources between Central and Local Governments (2001 Fiscal Year)**

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People's Tax (Total Tax=85.5 Trillion Yens)

National Tax (50.0 Trillion Yens) 58.4%
Local Tax (35.5 Trillion Yens) 41.6%

35.6 Trillion Yens 41.6%
Local Allocation Tax, etc.
49.9 Trillion Yens 58.4%
National: Local #60:40 (3:2)

National Expenditure (pure total base) 57.4 Trillion Yens, 37.4%
National Treasury Disbursement
Local Expenditure (pure total base) 95.9 Trillion Yens 62.6%
National: Local #40:60 (2:3)
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Source: Ministry of Finance, Japan.
the country, and most local governments in rural areas are financially weak. So it is necessary to have a system to guarantee financial resources for local public organizations and to ensure equal public services to all local governments. This is why a system like the Local Tax Allocation was established. It was created to ensure the equalization of local government revenues. So, despite the apparent 3:2 tax ratio between central and local governments, the central government redistributes money to local governments through the Local Allocation Tax, national treasury disbursement and other aids, in order to balance the scale of financial resources among the local governments. As a result, the final ratio of expenditures becomes 2:3, as shown in Figure 6.

Connected to the tax allocation and other fiscal transfers is the “delegated affair system,” through which central government ministries assign certain services to local governments to fulfill. This system was held over from the prewar control system by the Ministry of Home Affairs. There are two types of delegated affair systems. One is the “agency delegated affairs system,” in which central government ministries delegate their affairs to local governors and mayors. The politically elected local governors and mayors handle the delegated affairs as local agencies of the central government. The other version is the “local public entities delegated affairs system.” The difference is that the local Assembly cannot intervene in the “delegated affairs,” because in this system the local government is not regarded as a local agency of the central government. The first system is significantly more common. In the appendix to the Local Autonomy Law of Japan, there were about 600 items listed as “delegated affairs,” largely criticized by the advocates of local autonomy. Related to the “delegated affairs” system are the many central government regulations (kisei) and involvements (kanyo) in the local governments, of which there are over 3000. Administrative involvement or control is the basic tool for intergovernment coordination (Institute of Administrative Management, 1997; Nishio, 2001).

This kind of central-local governmental relationship is called the “centralism-fusion” system in Japan. The basic idea is that, the degree of centralism or local autonomy is judged through an analysis of taxes, power allocation and other such measures. In addition to this perspective, we should also consider the linkage of the central and local governments, mostly based on how the central government handles their affairs. There are two possibilities. In one case, the powers of the local government are designed in a limited, detailed enumeration. In this system, the relationship between local and central governments is prone to separation, so that central government ministries and their local branches handle their affairs entirely on their own, and local governments do not handle the affairs that do not belong to them. We call this form of linkage “separation.” The other is the case in which the powers of the local government are described through a general delegation, in a short summary style. Here, the separation of local government and central government is not so clear. In this case, the central government can delegate its affairs to local governments, fusing them with local government affairs. In short, the linkage of central and local government can be considered on a spectrum from separation to fusion. If we combine the two dimensions (i.e. from centralism to local autonomy and from fusion to separation) we can imagine four interacting factors, as shown in Figure 7.

There are two basic “patterns,” No. 1 and No. 4, as shown in Figure 7. Logically and practically, if the central-local relation is defined by centralism, the local governments most likely will be subject to the central government. If the basic relation is separated, the local government will certainly have greater autonomy. Local governments then will not handle the affairs that do not belong to them, and the central government will handle services by itself or through its local branches. Pattern No. 1 is called the “centralism-fusion system,” practiced in Western Europe and Japan. In these countries, we find strong Home Affairs Ministries, coordinating local affairs with administrative regulation or control as the basic tool. Pattern No. 4, known as the “local autonomy-separation system,” is practiced in Britain and in the local governments in the USA. We see a “Home Affairs Ministry” that is weak or nonexistent in those countries. If there are conflicts between the central and local governments in pattern No. 4, the basic mechanism for coordination is judicial control, rather than administrative control (Nishio, 2001).

Comparing local governments in the two patterns, especially the powers and affairs of basic local units, we see some interesting differences. Many who advocate local autonomy favor the “local autonomy-separation system.” Local autonomy is preferred in Japan, and so the phrase “one-third local autonomy” is used in a negative sense. However, in pattern No. 1, local governments have less or low autonomy, but handle many administrative services including many affairs delegated by the central government. In this case, we can refer to it as quantitative, comprehensive local governments. In pattern No. 4, local governments have great autonomy, but without so many administrative services. Usually they are small governments. We can refer to it as qualitative rather than quantitative, local autonomous governments. Which one is better? It is not so easy to answer. If we support the tendency of local autonomy in central-
local government relations, pattern No. 4 is better. But in pattern No. 1, local citizens can receive many services directly from city hall, even if those are central government services they’re receiving (Mao, 2000, 2002a).

Moreover, as in the case of Japan, there is a very important reason for the fusion system in intergovernmental relations (i.e. the equalization of local services). Although it is desirable for local authorities to provide their services using their own revenues, there is a very large difference in the financial capabilities of local governments. In order to equalize government services among each local government and keep a standard level of public services throughout the country, some public services are delegated and regulated by the central government and implemented by the local governments, and a certain portion of financial receipts collected as national tax are transferred to local governments. Usually in Japan, the amounts for the respective local governments are calculated proportionally to their lack of revenues, taking into consideration the standardized financial receipts or revenues (formula-based calculation) and the demands of individual local governments. In addition, the national government disbursements in Japan are provided for enabling local governments to maintain a certain level of administration and gain sufficient revenues for large-scale construction works; the grants-in-aid from the national government comes with a view to support, encourage and promote certain functions of the local governments. These are very important mechanisms for the equalization of local services.

Interestingly, recent reforms of central-local governmental relations in Japan continued the fusion system. After the Diet passed the Decentralization Promotion Law, the Decentralization Promotion Committee started its work in July 1995. It presented five reports, with most of the recommendations for establishing an “equal and corporative relationship” between the central and local governments implemented. In total, 475 laws were reviewed, and the new local government system was implemented on April 1, 2000. The basic idea of this reform is that the central government and local governments have an equal partnership. Following the first report recommendation, the “agency delegated affairs” system was abolished, and a new classification of inter-governmental functions was determined. These are: (1) the “autonomous affairs” of the local governments; (2) the “entrusted affairs by law” (or “legally commissioned affairs”) of the local government; and (3) central government affairs. The “entrusted affairs by law” are local government affairs to be implemented by the local governments under the direction of the central government. In all, 45% of the “agency delegated affairs” have been transferred to the “entrusted affairs,” and 55% of the “agency delegated affairs” to “autonomous affairs.” Local governments are now expected to carry out these administrative affairs independently, so that their operations will fit the actual conditions of individual local sectors (Koike & Wright, 1998; Mao, 2000, 2002a, 2002b; Nishio 2001).

The reforms in the re-classification of intergovernmental functions, the abolition of “agency delegated affairs,” and the transfer of “agency delegated affairs” to “autonomous functions” are very significant developments for central-local governmental relations in Japan. As the concept of the “entrusted affairs by law” has suggested, administrative involvements and regulations with bureaucratic discretion will be limited. The set up of third-party organs, to serve a judicial function for the adjudication of inter-governmental conflicts, was proposed and implemented. Administrative involvements and regulations will be transformed into judicial control within the system of central-local relations (Nishio, 2001). The Ministry of Home Affairs was abolished in 2001, and some of the affairs transferred to a new Ministry, Soumusho (MHPPT). Also, local governments will have greater local tax revenues and local taxing power. As noted before, the ratio of the final expenditures between the central government and the local governments is approximately 2:3, while the ratio of the tax revenues

Figure 7  Basic Patterns of Central-Local Relations in Unitary States

<table>
<thead>
<tr>
<th>Centralism</th>
<th>Separation</th>
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<tbody>
<tr>
<td>Fusion</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2</td>
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<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Local Autonomy

Source: Mao.
paid by the people between the central government and the local government is reversed, 3:2. There is a wide deviation between the final expenditures and the share of tax resources. Japan is considered to be a mature society: the location of tax resources and capacity for providing services are not unevenly scattered as before, and the tax collection is stable. It is necessary to reduce the deviation as much as possible by the substantial assurance of local taxes.

With all these reforms in central-local governmental relations, we seem to be dealing with a new system. Pattern No. 3 (local autonomy-fusion system) is currently being formed (Mao, 2000, 2002a, 2002b; Nishio, 2001). The judicial procedure, a third-party organ that is a mechanism for judicial control rather than administrative control, was established, and the Home Affairs Ministry was abolished. In keeping with the earlier discussion, we can say it is a new pattern, at least in terms of institutional formation. This is a totally new system, unprecedented elsewhere in the world. But for our purpose here, the most important thing is that when Japan promoted decentralization toward more local autonomy, they did not choose the “separation” arrangement, but rather the “fusion” system (Nishio, 2001). The “entrusted affairs by law” are the affairs of local governments delegated from the central government (legally they are not the affairs of the central government). It is a fusion system.

In my opinion, this is a better system for countries such as China, where uneven development persists, to improve central-local relations (Wang & Hu, 1999). Through China’s reform period, we have seen the beginnings of decentralization and the appearance of the so-called “feudal princeling economies” (zhuhou jingji). We cannot allow reforms to take us back towards centralization and into the “mysterious circle.” One reform option for China is for the central government to delegate economic management affairs and other public affairs to local governments, but with unified regulations set up by the central government. This kind of fusion system could maintain a unified policy, while giving local governments positive initiatives. In the next section, I will further examine this suggestion, if it can be done, and how to do it.

From Japan to China

In this section, we turn to the question of the feasibility of the two suggestions discussed above for China. China already has some practices that resemble those two Japanese frameworks, but they are notably different and require further revision to better implement reforms in China.

The Chinese reforms of 1998 emphasized the functional transformation of the government, and, as a result, governmental structure has changed significantly in recent years. This change has entailed an increase in the macro-economic agency and a decrease in the traditional agencies of industrial ministries. At the heart of recent Chinese reforms is the transformation of government. Functions that are not essential parts of the state should be discarded or delegated to the market or society. The reforms have focused on redefining the functions of the state and government organizations, and shedding those functions deemed non-essential, as seen in the privatization of state-owned enterprises. The separation of state function from the market and society has become a reform slogan. The “small government and big society” model was first instituted as an experiment in Hainan province, and then became the prototype for reform in local governments.

Moreover, during this reform process, targeting the “mysterious circle” of cutback-expansion-cutback, China showed interest in the Japanese control system and reduction plan (Liu, et al., 1998; Zhongyang Jigou bianzhi weiyuanhui, 1993). China invented a similar means for reducing government size, but in a very different framework. The key concept in size control is the so-called san ding (three limitations). The first of these three is a limitation on the functions of government or government organs. It follows the reforms on changing the function of government, the separation of government and enterprises, the separation of government and party, and the separation of government and market, based on the idea that many state functions should be transferred to the market and society.

Following this functional transformation of government, the second and third limitations are targeted at the reduction of organs and staff at every level. Basically, the number of government organs is based on a decision as to which functions the government should be responsible for. Based on whether or not the government should perform the function, a given organ will find itself sustained, reduced, or abolished. Clearly, the three-limitation control system is a means of streamlining government, and it looks like the Japanese ceiling control system. The difference is that the Chinese system is focused on controlling function—that is, whether or not certain affairs should be handled by the government. This is a very rational system for reforming government, but it is problematic as well. From where does the incentive to discard superfluous government affairs and decrease government organs and staff come? During the high economic growth period, economic development is the primary goal. There is no imperative incentive to reduce government, even if it
has become an obstacle to development. So, despite intentions to streamline, organizational size and staff have kept growing (Liu, 1996; Liu, et al., 1998).

During the period of the planned economy, businesses were appendages of the state organization, generally classified as administrative organs. This has changed over the course of the reform era, but still many business owners and managers are deeply connected to the party and government. There is a prevalent phenomenon of Chinese state organs, from party organizations to the military and police and to the judicial department, establishing their own enterprises. It is argued that partnership between government and business, the bureaucratic umbrella, is important for economic development, especially for local industrial development. The institutionalization of bureaucratic administration, such as revenue generation, inspired the creation of new regulatory institutions and affiliated organizations. Similarly, local governments have a clear incentive to maximize the revenue through the control of businesses under their jurisdiction. This is well known to be a cause of great corruption in China (Baum & Shevchenko, 1999; Kokubun, 1998; Oi, 1999; Yang, 2001).

This mutual cooperation turned out to be fertile soil for expansion, with few or no incentives to streamline government. The government reforms did cut back on some bureaucracy, as well as upgrading the professional and technical qualifications of government officials and business managers. But the proliferation of new economic entities and growing economic complexities have prompted central and local governments everywhere to expand these new regulatory agencies and staff. This justified the chaobian (i.e., the new agency) or expansion of staff beyond the set three-limitation regulations (Brodsgaard, 2002). It is far easier to setup new agencies than to cut back existing ones, and so there is no mechanism to keep the government small.

China is experiencing drastic changes in the relations between state and society, government and market. We may keep pushing the functional transformation, but it would be far more effective to revise the three-limitation system so it entails a regular reduction mechanism. The basic difference between the three-limitation system and Japan’s ceiling control system is that the ceiling control system is not based on functional determination. Of course, the situations are quite different in China and Japan. China is experiencing a high economic growth, and Japan is more stable now. However, as discussed before, the ceiling control system worked very well during Japan’s growth periods at restricting the pressure for administrative expansion and the creation of new governmental organs. The size of the Chinese government will only continue to grow; it is time to push for a redefinition of state functions and government structures.

What’s interesting here is that China has a limited form of the ceiling control system. One of the methods for reducing government established in the 1998 reforms was the three-year support period for government affiliate organizations (shiyi danwei). After the three-year period, the governmental organs—with certain exceptions, such as universities—were to receive no new budgetary allotment, but rather rely on market support (Yang, 2001). This is not a rational method for reduction and limitation, and it bears a striking resemblance to Japan’s reduction of one bureau per ministry. In addition, each new Prime Minister has initiated his term with a new round of governmental reforms, downsizing the ministry-level and other organizations (1988, 1992, 1998, and 2003). Now each new government has fewer and fewer ministries than its predecessor. The 1998 reforms reduced the number of ministry-level organs to 29. Now the latest government has proposed a plan to again reform China’s government agencies, further reducing ministries and commissions to 28. The reform package established a state property regulatory and management commission, a commission to regulate and supervise the banking industry, a commission to reorganize the State Development Commission, and a commission to fuse the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation into the new Ministry of Commerce. The Ministry of Commerce and the other new organs seem to exemplify the “Scrap and build principle.”

These may not all signify an intentional use of a ceiling control mechanism, but this explanation is quite plausible. Moreover, what’s needed in China now is to make this kind of reform an institutionalized procedure in a consciously formalized way. The real number of Chinese public personnel is still unclear, as there are military forces, Party organizations, mass organizations (such as the women’s federation), and many service organizations (shiyi danwei)—such as hospitals, schools, universities, research institutes, and working units—beyond standard government organizations and staff. There is a great deal of data attempting to ascertain these figures (cf. Brodsgaard, 2002; Burns & Bowornwathana, 2001; Liu, et al., 1998). It is reasonable to say that the number is much higher than most counts, and lower in the ratio to population than most other countries, taking into consideration that China has a huge population and is still in a developing stage. Regardless of the exact figures, China can implement the ceiling control mechanism through the following procedures.

The first step is the separation of central and local government staff, local and national civil service
systems, party and government, government and business, government and social organizations, and mass organization, in conjunction with the functional separation policy. Secondly, the government can decide the total number of government organs and the total staff under the State Council. Within this limit, the State Council has a free hand to reallocate staff and reorganize the ministries. The State Council can also give discretionary power to the individual ministries within their allotment. In addition, the “scrap and build principle” should be kept for further reform. China currently has 28 ministries, though we should be aiming for 20, which is standard in most countries. Surely ceiling control could be implemented collaboratively with the deepening economic reforms. Many functions need to be transferred to the market, business associations and other social organizations, with the ceiling control system as an embedded mechanism to push functional transformation.

Chinese governmental reforms have a long way to go before we have a truly open and efficient modern government. What I have introduced and described here is one of the options for constraining and reducing the size of the government. The ceiling control could become an automatically embedded instrument for government size control. Now let us turn to the next topic, an institutionalized fusion system in central-local relations.

Central-local government relations are changing drastically, and the bargaining processes have been well documented (Lieberthal & Lampton, 1992; Lieberthal & Oksenberg, 1988; Shirk, 1993). Post-Mao reform has been incremental, pragmatic and consensus-oriented, not guided by an explicit vision of society (Kenneth & Oksenberg, 1992; Lampton, 1987; Shirk, 1993). However, there has been an irresistible trend towards decentralization in the reform era. Some even say there is now a behavioral federalist system in China. But the establishment of federalism in China is not a feasible institutional option; even central-local relations lean more towards balanced power relations (cf. Montinola, et al., 1995; Oi, 1999; Wu & Zheng, 1995; Yan, 1992; Zhongguo xinzheng quhua yanjiuhui, 1995). Decentralization and economic reforms have undermined central government capacity, of which tax extraction power is a key indicator (Wang, 1994). On the other hand, scholars argue that there has been an increase in the central government’s political and administrative powers (Edin, 2003; Huang, 1995, 1996, 2002; Li, 1997). The economic, fiscal decentralization has been accompanied by a reinforcement political control system and cadre management. Local authorities are, in fact, appointed by the central government, and only in the formal procedures selected or elected by the local people’s congress. Examining the fiscal relations, let us see if there is a possibility for the fusion system or decentralization-fusion system in China.

The local government’s share of taxes and other revenues in the Mao era, even with oscillation between centralization and decentralization, constantly exceeded the central government’s share. The central government’s expenditure during the Mao era usually exceeded that of local governments (Dong, et al., 1996; Yang, 1994). So in the Mao period, local governments collected more taxes, but the central government spent more. This is the opposite of the Japanese case examined earlier. In the post-Mao era, this basic pattern has been changed. The central government’s revenue share declined to 30-40%, and local governments’ expenditure share increased to around 60% in 1990. We have also seen a decline in central control of investment during the reform era. Many studies show that local governments now collect more, use more, and use it with more discretionary power (Chung, 2001; Wang, 1994; Yang, 1994; Zhang, 1999).

Here, the most important thing is not only revenue, but also expenditure and resource and investment discretion. In the reform era, the local governments have become more and more development-oriented and entrepreneurial, and the central government is far more tolerant of the freedom of local governments in economic matters (Oi, 1999; Su & Yang, 2000). With the dwindling intergovernmental fiscal transfers from the central government, local governments have become financially more self-reliant, and so local governments are driven to employ a wide array of tools to obtain resources. But with the decline of its capacity, the central government lost control of aggregate investment demands and the national economy, resulting in growing regional inequality (Dong, et al., 1996; Wang, 1994; Wang & Hu, 1999; Yang, 1994). In 1994, China saw fiscal reform and establishment of the tax-sharing system (Shirk, 1993; Wang, 1997; Yang, 1994). The reform was targeted at increasing the share of central government revenue to 60%, in which 40% (two-third) was to serve as central government expenditure and 20% (one-third) as transfer grants to local governments. This means local governments have a 60% share, with 40% collected by themselves and 20% transferred from the central government (Yang, 1994). It is not a move back to the Mao era. The interesting thing is that the target ratios are almost identical to those in the Japanese case (see Figure 6).

In this new system, taxes are divided into three different categories: central, local, and shared taxes. The central and local governments’ revenues have different coverage. The central and local governments have parallel systems for collecting taxes.
independently, and the shared taxes are collected by the central government and then divided between the central and local governments, according to certain formulas. This reform was implemented to replace the discretion-based revenue-sharing system with a new rule-based system. After the reform was applied, the collection of taxes by the central government reached one-half, up from one-third of the total. Adding the remittance from local governments, the central government’s share is argued to reach about two thirds. But here, the central should refund the local governments for revenue losses, as stated in the 1994 system deal. After this refund, the central share of total revenue is about 20-30% (Wang, 1997).

Officially, there is a separation of the local and central expenditures according to their different governmental functions, but this is not truly a rule-based system (Wang, 1997). There is no constitutional arrangement to constrain the central government. So, for instance, there is an ambiguity concerning the division of expenditure responsibility. The central government could transfer the responsibility to a local government without grants or subsidies. Also, the central government still has the power to decide the rates and the base of all taxes, including local ones, so local governments have no independent taxing power. The central government could take back the rights of the local governments at any time. As it stands, there are still discretionary powers wielded exclusively by the central government, and transfer arrangements are complicated by local remittance for the central government and central subsidies for local governments.

So while there is a transfer function in the central-local relations, it is not clear on the receipt of the transfers. In a sense, the tax-sharing system has just dressed-up the old system, because it relies on the central government to guarantee each local government a minimum base revenue. They used the 1993 tax revenue to establish the baseline-figure method (jishufu) in determining the allocation to local governments. Many have argued that it needs to be changed to a formula-based factor-analysis method (yinshufu) (Chung, 2001; Wang, 1997). Most important for the discussion here is that if we see this as the direction of reform, then we can predict further decentralization (or local autonomy), and the fusion system could quite easily be implemented.

Although it is desirable for local authorities to meet their expenditures using their own taxes and other revenues, there is a very large difference in the financial capability among local governments (Dong, et al., 1996). In order to equalize revenues among local governments and keep a standard level of public services, the central government should redistribute resources and grant a certain portion of collected finance as national tax to local governments. Regional inequality is a serious problem in China now, where it is said that the First World and Third World coexist. Unless the central government is able to regain control over the redistribution of resources, the trend of divergence is unlikely to be reversed. Government intervention is imperative for promoting balanced regional development (Wang & Hu, 1999). The new strategy for development in the western region is an excellent example.

The regional policy for even development should be carried or coordinated by the central government. This does not mean the central should do everything, but rather in some cases the central should coordinate regional policy. The central government should manage and finance the economic development program, but let the local governments implement the program. The way for enhancing state (central government) capacity is not through the recentralization of resource allocation, nor the recentralization of discretionary power, but through unifying standards for local governments. Under those standards or directions, local governments shall have discretionary powers appropriate to local conditions and able to meet local demands. This is known as “local adaptation” (yindu zhuyi) in China. The revenue could be collected by local governments and used by the local governments, while some could be collected by local governments and transferred to other local governments. The conditioned or restricted transfers will be used for purposes mandated by the central government with unified rules. This system has even been used in federalist countries. Total separation of central and local government is not an ideal structure, and it is not possible even in a federalist system.

Moreover, a strong central government is capable of enforcing all kinds of policies, including those exacerbating regional inequality by favoring the rich regions. The central government has strengthened its political and administrative power (Edin, 2003; Huang, 1995, 1996, 2002); however, those central regulation powers and resource allocation powers could be influenced by the local powers (cf. Li, 1997; Reed, 1982; Su & Yang, 2000). This is another reason why central-local relations have been increasingly marked by bilateral bargaining and compromises in China. Strong local interests can be transmitted to the central government by influencing those very channels through which the central government controls local governments. Local influence of the center is similar to the Japanese system, but different in formation. The so-called interdependence (mutual dependence between central and local governments) does not inherently entail equality between central and local governments and between each local government. So it is probable in some circumstances for greater
resources to go to those provinces that boast greater representations in the center. Therefore, it is important to have institutional arrangements free of such biases (Su & Yang, 2000; Wang & Hu, 1999).

As stated before, in China there is no clear division between the responsibilities of the local and central governments and no constitutional arrangement to constrain the central government. So we can argue that China is actually functioning with a fusion system of central-local governmental relations. This feature can be seen in most of the unitary countries. So, what China needs is an institutionalized intergovernmental relations system, in which the central government delegates public affairs to local governments with unified forms and rules. Standardized public services should be provided through all local governments, whose even development should be guaranteed in institutional arrangement by the central government and delegated to local governments. This is not a unique idea. In fact, an arrangement entailing the delegation of government affairs to local governments, with a legal and institutionalized form, has been discussed before (Li, 2003). With this kind of reform, the decentralization-fusion system would very probably be adopted. It should be noted that the local autonomy of local governments (liang zizhi), in constitutional sense, has never been formally recognized in China, except in certain ethnic areas.

In Japan, as in many other countries, those administrative policies governing the infrastructure of most people’s daily lives, such as those related to welfare, education (elementary schools), fire protection, roads and waterways, are generally implemented by local public organizations with their local budgets. Local public organizations are at the forefront of issues, such as enhancing community welfare. With an aging population, welfare services will expand and service delivery will mostly depend on the local governments, even if it will be financed or regulated by the central government. The Local Allocation Tax system in Japan was put in place by the central government, to equalize revenues among each local government and keep a standard level of public services.

For reforms of Chinese intergovernmental relations, the agenda should now focus on the institutionalization of resource redistribution, the assignment of expenditure responsibility, and the rule-based delegation of public affairs. Revenue allocation to local governments should be changed to a formula-based, factor-analysis method, with an equalization effect. In addition, there is no department or commission in the central government for the overall coordination of policy planning and implementation over local development, although there is some informal interagency policy consultation and coordination and policy input and analysis by the think tanks (Lieberthal & Lampton, 1992). There is no central agency in China to coordinate local government affairs, such as a local government affairs ministry or commission. This lack of coordination is exacerbated by the cleavages in demarcation of functions and boundaries (liu-tiao and kuai-kual), corresponding to the different hierarchical chains (Lieberthal, 1995; Unger, 1987). This has certainly contributed to the complicated negotiations and bargaining. The control of local government affairs should not depend on ad hoc negotiation by central ministries, but on an institutionalized coordination system by a comprehensive department or commission.

**Concluding Remarks**

I have tried to show in this paper that to eliminate the two “mysterious circles,” the two frameworks constructed and practiced in Japan for controlling government size and improving central-local governmental relations could be practiced in China. China could introduce the ceiling control system to fix the total number of departments and the maximum number staff. Under this kind of ceiling control system, the central government will transfer more economic affairs to the market and society, and transfer more administrative affairs to local governments. The ceiling control will work as an embedded constriction mechanism. In addition, China could introduce the “fusion system” in central-local governmental relations that is practiced in Japan. Surely these two aspects, government size and central-local relations, are intrinsically related, as local bureaucratic expansion has taken place both horizontally and vertically. By adopting the suggested reforms, the two “mysterious circles” will be eliminated, the Chinese government will be leaner and more rule-based, the frameworks for generating further reforms will already be in place, and China will be closer than ever to having a modern, efficient government.

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The reform of the land system has been at the core of the Chinese rural economic reforms. The problems with the rural land system have been eliciting concern for years. Some believe that the most effective way to invigorate the stagnant agricultural development is to reform the decentralized operation system, in which the lands are “endlessly divided into broken pieces.” They suggest the transfer of land property rights, and then developing a collective economy and carrying out the appropriate scale management. However, others maintain that we must first analyze what the appropriate scale management and the development of collective economy would entail. As the active participants in the system, what do the farmers think of the rural land problems? With this question in mind, we established a special research team to make a practical investigation in Hubei province in mid-July, 2002.

Survey of Rural Land Policy and Farmers’ Attitudes

From July 16th to 18th the investigation team selected 104 families from 174, for the survey in village X in the suburb of Wuhan. Some families did not attend because of their busy farming schedule. According to the detailed survey, the sample was rather representative, with most first-hand data reflecting the village as a whole.

1. Farmers’ Opinions of the Household Responsibility Contract System

As concerns the household responsibility contract system (with remuneration linked to output), the 75 families in the survey can be divided into four types. 39 families approve it completely, accounting for 52.0%; 17 families do not disapprove, accounting for 22.7%; 8 families have negative attitudes towards the program, accounting for 10.7%; 11 families hold no definite feelings about it, accounting for 14.6%. On average, there are four people in each family. Those who support the system have achieved a degree of relative affluence, and claim to have fewer burdens. In their minds, the living conditions of farmers have been greatly improved, and the country is growing more and more prosperous. All of this is due to the reforms and open policy, which encourages farmers to get rich through honest labor. They, therefore, hope that the household responsibility contract system and the governmental policies responsible for their growing affluence will be carried-out long-term. As for the second group, although their living conditions have improved, they shoulder heavy burdens from the lack of labor. Some of them even associate with the system such unpleasant phenomena as greed and selfishness, as well as ineffective public security measures. They point out that most of the public irrigation equipment (i.e. water towers and aqueduct canals) are in disrepair and have been languishing that way for years. What is more, some farmers even have a certain nostalgia for Mao’s age, and are deeply concerned that the country

Abstract: The transformation of land policy, or land system reform, has been the key issue in rural economic reform in China. Based on a practical investigation, this essay proposes to analyze the system orientation and performance diversities of the types of land-use systems under the new rural policies in China: the household responsibility contract system (with remuneration linked to output), the two-field system, the operation of scale management, the auction of the Four Sorts of Wasted Land tenure, and the cooperative shareholding system. The essay brings forward specifically the two points of policy design in the current land policy in China: (a) building up farmers’ expected briefs in land use and (b) appropriate collaboration of land resources, which are significant in advancing the reform of the land property rights system and cultivating the land property rights market.
is headed towards crisis. The third group is against it because, they say, it hard enough already to regulate the activities of the farmers these days. For instance, there have been fierce conflicts over land requisition, and the strength of collective economy has been weakened so much that, in some places, it is now collective only in name.

2. Problems with the Terms of Land Contracts

According to the survey, only 31.7% of the villagers know that the 30-year land tenure policy is often unbending, and family members may increase without the addition of lands or may decrease without a reduction in lands. Among those who know, the supporters account for 45.3%, the dissenters for 10.7% and 18.7% are those of indefinite opinions. The reason to approve of the policy is that it is helpful in increasing land investment and in putting family-planning policy into effect. There are also reasons to disapprove of it. For thirty years, the population has been increasing rapidly. Some families with more new members can hardly make ends meet, while some with no work force have superfluous lands, wasted on their waning numbers or ageing family members.

The investigation shows that the farmers have rather complicated feelings towards the land. On the one hand, there is a desire to leave the rural area, while on the other hand they are afraid of losing their land. This is particularly true with the young generation: they generally have strong hopes of getting away from the rural life and moving to the city. They want to go explore the world, and yet they are constrained by their registered permanent rural residence status. Although they can make more money working in the city, they'd be running a high risk if they were to lose their job. Without basic living guarantees, they could only take short-term jobs in nearby cities, during slack farming seasons, in order to make up necessary family expenses. Therefore, the current systems, like the registered residence system and the urban employment system, are still firmly tying peasants to the farmland. When asked whether they are willing to transfer their contract land to others, they either decline or hesitate; seldom does anyone agree explicitly. When asked “Can you make a living without contracting any land?” 28.0% of the farmers respond that they cannot; 42.7% of them believe they can, but with difficulty; 25.3% don’t care, and a mere 4.0% think they will lead a better life if they do.

3. Farmers’ Viewpoints of The Land Property Rights Problem

In response to the question “who possesses the land in rural area nowadays?”, 60.4% of the farmers answer “the state,” 3.7% answer “the village,” 22.1% “the collective,” and 10.4% “the state and the collectivity together.” The investigation reveals that some farmers have very confused ideas about land property rights. For example, a number of them figure that since the piece of land they are cultivating is inherited from their elders and now they are involved in a contract system, the land property rights should be theirs. The two main problems in the farmers’ understanding of land property rights revealed in the investigation are: (1) Most of the farmers know that farmland is nationalized, but they are not clear on specific land ownership; (2) Although it is stated in the constitution and elsewhere that country land is owned by village collectives, the farmers do not conceive of themselves as the masters of the land. A great number of farmers have no idea that the landowners are actually the collectives, made up of themselves.

When they are asked “Do you wish to own the contracted land?”, 21.7% of the peasants answer they would like to have the land as their own and would like to see a farmland privatization system, 66.1% support the state ownership or collective ownership system, and 12.2% answer that they do not really mind whether the land is owned by the state or by private farmers. During the investigation, many farmers explained that they worry most about two aspects of the land system. One is that they are afraid of the land being privatized, because this will result in new exploitation and severe social polarization. The other is that they are afraid the collective will take back the land operating rights again. Past hardships of “eating from the same big pot” in the collective are fresh in their memories. Thus, if the collective repossesses the operating rights, it will mean not only a decline in agricultural production, but also the move will be opposed by a majority of the farmers.

4. The Farmers’ Inclination To Make Long-Term Investments In the Land

When the farmers are asked whether they would like to make long-term investments in their contracted land, 43.6% of them give a positive response. However, among these, 58.2% complain of various difficulties, such as a lack of necessary economic resources, insufficient family labor force, or insufficient technical support. Thus, they have no means to make any long-term investments, like building anti-seeping trenches or flattening sloping fields. 37.4% of the farmers express a willingness only to make small-scale and short-term investments with quick effects. Because the land contract term has been extended to 30 years, nobody can predict what kind of changes will take place tomorrow, and there remain
great uncertainties about the future. Although the term of 30 years is not short, according to past experiences, reforms and adjustments of the land system have never stopped, and there have certainly been times when the state or the collective have made requisitions of the land at low prices, or even completely unpaid. Therefore, the farmers lack long and stable feelings for the land, nor do they have sufficient anticipation for the future of their contracted plots, preventing them from making any long-term investments in their farmland.

5. About the Operation Scale of the Farmland

In this village, most of the farmers do not agree with scale management through land gathering. The main worry comes from the lack of necessary fund and labor force. There is also a concern that scale management requires certain techniques and mechanical equipment, which are impossible for common farmers to acquire. As for market circumstances, because of the rather heavy burden in farming and the low price of primary products, many farmers do not want to contract more land, and some even think the more they contract, the more they will lose. So most farmers have no interest in scale operation.

In addition, the tense relationship between the farmers and their land is another obstacle for scale management. The implementation of scale management would create more pressure for land transfer and settle the superfluous labor force. According to the investigation, in this village, about 200 farmers go out for short-term jobs every year. For most of the families, their main source of income comes from working elsewhere; their yields are mainly used as grain ration. But now, the slow increase of the urban economy has lead to a decrease in employment opportunities. It has become more and more difficult for those country youths with less education to find jobs in the city, so many farmers still have to depend on farming to make a living.

System Performances and Disadvantages of the Household Contract Responsibility System

So far, it has been over twenty years since the beginning of rural reform in China. Rural land reform can be divided into two phases. The main content of the first phase was the establishment of the household responsibility contract system (with remuneration linked to output), as the basic form of agricultural management. But during the second phase, the focus of rural reform has shifted towards overcoming the institutional disadvantages of egalitarianism in the household contract responsibility system, and trying to cast off the equal-land system through other kinds of reform, experiment and innovation. Over the past twenty years, the policy concerning the land property rights system in China has focused on the land use system, although the bounding and adscription of property rights is undoubtedly the most crucial aspect of the land property rights system. (Land property rights include a bundle of rights, such as property rights, use rights, income rights, disposition and so on. Without special explanation, property rights refer to use rights in this thesis.) The cost to reform the property rights system is so great, and its influence on agriculture, and indeed on society as a whole, so crucial, that it must not be treated lightly. Even so, it is very difficult for the farmers to embody the system's great purpose, the maxim of political support and social output, and to manifest positive institutional performances. It is really a Pareto optimum to discuss property rights in the land use system without considering land ownership in China, where there has existed small-scale peasant economies and collaborative campaign practices for thousands of years. So it is of practical significance to advance the current reform of the land property rights system and cultivate a land property rights market, through profoundly analyzing the policy innovations in the land use system and clarifying the main points of the reform policy.

As a typical innovation of the land use system, the household responsibility contract system is an innovation only insofar as it is an operating method, and does not actually affect the institutional groundwork of collective ownership. However, the unique characteristic of the system is in the separation of land property rights use rights. The collectivity keeps the property rights only in name and provides the most elementary functional management, such as land contracts; whether and how to operate the land is decided by farmers themselves. The major innovation of the household responsibility contract system is that it reverted to the basic functional importance of the household as an agricultural force. With regard to more direct agricultural production, the household operation effectively overcomes the externality of a collective agricultural system, so that there are no supervision costs. So the result is that, "the labor motivation of a worker supervised by the household responsibility contract system is the greatest, not only because he gets all the shares of the marginal remuneration ratio he has struggled for, but he saves the supervision expenses" (Yifu, 1992). Therefore, from the beginning, the household responsibility contract system has both the support of the farmers and of the government.
The institutional innovation of the household responsibility contract is undoubtedly a successful example of land system reform in modern China. It also confirms the developmental history of modern economy: an effective property rights system does not entail bundling all rights under a single heading. On the contrary, the decentralization and dispersal of rights is the key to a successful system. This is just why the system has proven so vibrant. In the nearly twenty years since its inception, the percentage of the farmers following the system and the land area they operate has stayed as high as about 98%. But as a new land system, the household responsibility contract system was formed under special historical conditions, at the time when a great change took place in China. As such, its emergence entailed a lack of systematic preparation and design, and was not carried out with sound organization and arrangement from top to bottom. Instead, the system, emerging out of the great currents of reform, depended primarily on the farmers for its implementation, and was thus destined for imperfection.

As the basic form of the household responsibility contract system, the equal-land contract system has become the most popular form of the farmland operation in China today. It adopts fairer methods and divides farmland into familial plots, according to the number of family members or labor force. Farmers are responsible for the whole process from seeding to harvesting, while the community provides different kinds of services based on the different economic situations. Because the operation system was chosen by the farmers themselves, the equal-land contract system must meet the farmers’ needs. This means the assurance of fairness and the assurance that everyone in the community has farmland to operate, especially in those areas where second and third industries are underdeveloped, and the farmers’ main source of income is agriculture. So after nearly twenty years of operation, contracted farmland accounts for over 60% of all farmland; this corresponds with the numbers in Village X. But as such, a system must give attention to the requests of most farmers, distributing the farmland by mixing far and near together or the good and bad together, and with the changes in population, there still exists pressure for further redistribution. The lack of anticipation and the lack of input and output efficiency have lead to the institutional dissimilation of the household responsibility contract system.

In fact, although the household responsibility contract system, with the equal-land contract system as its principal formation, provides remarkable institutional advantages, it still has two institutional disadvantages. Firstly, because of their unwillingness to invest long-term in their contracted land and because of their worries about expected net revenue, the farmers cannot help to form an effective input and accumulation mechanism, which affects the output efficiency of farmland. Secondly, because of the insufficiency of their ownership, there can be no transfer of farmland on a larger scale, which affects the efficiency of resource allocation. In order to solve these problems, in the 80’s and 90’s Chinese government established a policy that the tenure for farmland contracting would not change for 15 years, and another policy that farmers could prolong their tenure for another 30 years after their five-year contract. What is more, the central government accepted tolerantly the revision of the equal-land system based on the household responsibility contract system, carried out, in late 80s, differently by different local governments because of varied intentions. The policy of the government has always been focused on how to maintain the collective ownership of farmland, putting limits on the tenure of contracts, pushing for the circulation of farmland resources, and improving farmland allocation efficiency.

From the above, it is not difficult to conclude that in order to solve the problem of land use rights, it is crucial to build-up the farmers’ expected briefs in land use and allocate the land reasonably.

Analysis of Four Types of Institutional Innovation

It is impossible for any kind of institutional arrangement to stand still for a long time. Moreover, during different phases of economic development, the expected purposes of said institutional arrangement will vary. When the expected revenue of an innovated system is more than the expected cost, or the cost of the arrangement is lower than before, then a new institutional arrangement will be concocted. As for the farmland, because of the different expectations, the decision for innovation is quite different when made by the government or the community. If the decision is made and launched by the government, then the main variables to be considered will be whether the new system can steadily promote agriculture, if it can ensure the supply of primary productions, the efficient allocation of farmland and the conditional use requirements, as well as the social responses, political achievement evaluation, and the cost of the institutional innovations. But if the decision is made by the community, then the main variables to be considered will be the arrangement of the relationship between the community and the outside, the harmony between the economic increase and public welfare in the community, public relationship and political achievement evaluation, and especially how to
strengthen the ability of executive mobilization in the community. In a word, the decision for institutional innovation must be made based on the system’s restrictions, that is the external variables, such as constitutional and moral evaluation standards and the reflective abilities of inner factors.

Compared with the single property rights of collective farmland ownership, the causes for adjustment and innovation of the land use system are varied. Each type of system reflects a different decision-making orientation because of objectively existing regional economic diversities, as well as the discrepancies in resources, labor, capital and technology. With regard to the actual areas and influences, the amendments to the equal-land contract system can be divided into four main types.

1. Two-Field System

The community implements this system, in which farmland is divided into two parts to be contracted: fields for growing rationed grain and fields open for other contracts. The two-field system physically separates land intended for economic development and land intended for social security. Specifically, fields for growing rationed grain are distributed based on averages according to the population, accounting for 1/3 of the total farmland in the community. The remainder of the land is contracted out generally under one of three management methods: contract by individuals, contract by labor or contract by public bidding. Such a system was first adopted in Shandong province in the 1980s, and later throughout the country. The rationale behind this arrangement is that it takes into account the natural rights of the community members to obtain their land tenure, while, at the same time, using the community’s resources and land more effectively. Through this system, fields for growing rationed grain fulfills the principle of “fairness,” that is, everyone in the community has his or her share; the other attend to the priority of efficiency. Within the community, tenure rights can be transferred and obtained through competition. Because the fields opened to general contracts make up for the loss of efficiency of the equal-land contract system and show consideration for the interests of both farmers and community, farmland efficiency increases. The performances of the two-field system are quite impressive in the early stages.

However, the later stages of implementing the two-field system across larger areas, have seen behavior aimed solely at acquiring more contracting fees and or the greater deployment of resources by the leaders of the community. Some examples of such behavior include bidding invitations or renting general contract fields at inflated prices. This has not only distracted the system from its original purpose, but also led it towards way of dissimulation, a fact that should not go unnoticed.

2. Appropriate Scale Management.

This is a system enacted by the local government. It is mainly adopted in suburban areas, in well-developed big and medium-sized cities of eastern provinces and areas, such as Shunyi county in Beijing, Sunan area in Jiangsu province, Nanhai city in Guangdong province, and some areas in Shandong and Zhejiang provinces. Over more than twenty years of reform, the general economic situation in developed areas has expanded rapidly. But, while non-agricultural industry has been developing, agriculture has been declining day by day, especially the rapidly shrinking grain industry. This is due to a severe lack of resources, of cultivated land and an increasingly common phenomenon of leaving land uncultivated. Therefore, the problem of how to stabilize agriculture and grain production and to avoid the desolation of cultivated land has become the primary cause for instituting the scale management system in well-developed areas.

There are various ways of arrangement scale management. By transferring land among each other, the “big farming household” emerges, and through the “inverse contract,” “inverse lease” or the “contract in different areas,” the scale management system is enacted. The “pooling of tenure rights as shares” and concentrating land for re-contracting are other forms of scale management, as are shareholding farms and farms undertaken by villages. Although the scale management system is not widely implemented, it has much more severe limitations than the general land use system. Accordingly, problems have continuously arisen during the practical implementation of this system. Firstly, contrasted with household operation, the cost of scale operation is too high; secondly, when collective scale management is carried out, problems of unfair supervision fees and distribution of income persist. Thirdly, some areas compel farmers to adopt scale operation, which consequently shakes the foundation of household operation.

3. Tenure Auction for Uncultivated Land

(The four types of uncultivated land here refer specifically to barren hills, unused slopes, beaches and dykes. Since there are different types of resources used for cultivated land, waste sands and wastewater can also be added to the aforementioned four types. This system also refers to other farmland resources besides uncultivated land.)

The system is initiated by the farmers, and, like the
household responsibility contract system, the tenure auction demonstrates system variation in demand, attraction and invitation (Zhang Hongyu, 1995).

Corresponding with scale management, this tenure auction system mainly takes place in undeveloped areas, such as in the hills and mountains of Shanxi, Shanxi and Heilongjiang provinces, etc. The basic feature of this system is that with the precondition of collective ownership of these four classes of uncultivated land, the use rights to these lands are sold-off both short and long-term to farmers, who then enjoy free operation and management. The system's performance has been notable for two reasons. Firstly, the long-term use rights greatly increase a sense of prospect, thus reducing much of the negative short-term behavior of farmers. Secondly, the comparatively complete boundary of property rights tends to make farmers more financially adventurous.


The cooperative land share-holding system, like the two-field system, is also implemented by community. Such an arrangement is typical variation of the induced system. It originated in the Zhujian Delta in Guangdong province in the mid-1980s, and then extended into developed areas along the coastal areas of Shandong, Jiangsu and Zhejiang, etc. But up until now, the cooperative share-holding system has been quite limited in terms of its coverage area and advancing speed. In the cooperative share-holding system, land is pooled and distributed as shares to farmers, and the community is then responsible for unified layout, exploration and utilization of the land. This system has shown notable performances in certain areas. Firstly, the pooling of tenure as shares tends to strengthen and affirm farmers' land contract-management rights. The connotations of the cooperative share system do not alter the nature of household contract management, yet weaken the limitations of the equal-land contract system. Secondly, farmers' shares of land are a kind of monetary stock, but not a form of occupying land. Therefore, it cannot influence the right of the community to dominate and dispose of land. This is helpful for the community to converge land and to form scale management. However, like any other system innovation, the cooperative share-holding system has its own limitations. The biggest disadvantage is that the shares, to a large extent, function as a sort of welfare distribution. Accordingly, most areas have prescribed in their system that those shares owned by the community members cannot be transferred, mortgaged or inherited, which in turn prevents land-based market economy from developing.

The aforementioned four types of land use systems all have different systemic arrangements and aims and noticeably different performances. In fact, it is self-evident that the different types of system arrangement are due to reasonable choices by government, community or farmers. Nevertheless, the boundaries of system arrangement and policy design should not damage the foundation of the household contract responsibility system, and it should realize the purposes and anticipated net revenue of decision-makers. According to this requirement, any type of system arrangement inevitably entails both the satisfaction from its performance and frustrations from its limitations (Zeng Guoyin, 1998). All land use systems have, so far, failed to completely solve the problem of meeting farmers' expectations for land use and the problem of reasonably collocating land resources. This is supported by our investigation in Xinping village. Among the many proofs, the most convincing points are: firstly, the extension of the land contract terms to 30 years is not actually going smoothly; secondly, the transfer of land tenure is happening quite slowly. This, however, still leaves enough space for amending policy design and system innovation.

Policy Reform and the Rural Land Use System

According to the analysis provided by institutional economics with regard to the launching and promotion of any system, though there are many important variables linked to innovation in systems, such as the effect of the population on rare resources, changing value through economic development, changes in prices due to technical advancements, constitutional order and much more, the net revenue of the system should be recognized as the most important variable (Institutional Analyses and Self-reflexivity of development, 1993). From this perspective, no matter who--government, community or farmers--provides the decision to enact a new farmland use system, it should be arranged by the revenue maximizing rule. But there are certainly different criteria for judging maximum revenue, and these criteria change at different stages of economic development. While making an assessment of a given system, we cannot ignore its developmental stage.

The question is how the government can behave more rationally in designing farmland policies, paying attention to that which benefits the majority of the state, thus conforming the goal of policy supply to the goal of actual demand. This question should be the guiding principle of system innovation. It is proven without much difficulty by economic theory that "the only norm to estimate the efficiency is the consensus of agreement," and "the overall efficiency of a
transaction granted by both sides is higher than one which is opposed by at least one side” (Sheng Hong, 1992). With such criteria in mind, we made a search into the innovation practices in the farmland use system, and it appears that only the equal-land contract system, which is the most sustainable and the most widely covered in the household responsibility contract system, can meet the requirement of consensus in this efficiency evaluation. Of course, we do not mean to ignore the shortcomings of this system. The key point is that after running for two decades it is still popular among the majority of farmers, and though it the principle that “the planter should possess the farmland” has really been implemented. Through this principle we can learn not only the farmers’ fundamental requirements for the arrangement of the farmland property rights system, but also many economic theories that are still beyond our understanding. The system’s limitations can be amended through farmers’ identifying with ownership and by looking at both domestic and foreign experiences in bounding farmland use property rights.

As far as how to amend the equal-land contract system in order to improve the foundation of the household contract responsibility system, the crucial task is to endow the farmer with more extensive land contract rights and a sufficient time allotment for land use. Currently, the trend in farmland system innovation is to persist in the collective ownership system and the two-tier operation system, taking household contract management as the foundation, and combining unified management with independent management. The target of the innovation of the farmland system is to impel the farmer to regard the land as their own property, and thus to spark their enthusiasm and accelerate the restructuring of this industry. Meanwhile, it is necessary to improve the collective organization to perfect the two-tier operation system, to manage the farmland as asset, to develop and expand the collective economy and to reduce the burden on the farmer. The emphasis of the farmland system reform should consist be to intensity and stabilize the farmers’ contract relations, so as to further identify the bound of farmland use property rights, and to pioneer a farmland use rights transfer market, in order to establish an effective farmland transfer mechanism.

1. To Strengthen and Stabilize the Farmers’ Contract Rights

To strengthen means to change the independent farmland management right into a group of rights consisting of possession, use, profit and disposal. The disposal right especially must be included among the farmer’s contract rights, entailing the sharing and mortgage of the contract rights. In a market economy, farmland contract rights, which are based on the partition of the two rights, are virtually converted into a management qualification or capital that can bring profit independently. The disposal rights in the contract rights, as well as that in the property rights, mean the permanent or temporary disposal of farmland as independent property. Permanent transfer is the sale of the contract rights as property, while temporary transfer means the lease, share or mortgage of said property. Actually, the more stable the contract rights are, the more nominal the so-called state-owned farmland becomes. The household contract responsibility system is particularly significant for Chinese farmers, because it means we can get around the rigid farmland property distinctions or disseminate the collective by dividing it, so as to better achieve efficiency (Dang, Guoyin, 1998). This system has not only fulfilled the farmer’s desire to possess the farmland, but also established a land transfer market mechanism, and has further provided the efficient collocation of the land resources with an efficient social form.

As for stabilizing the farmers’ contract rights, one necessary measure is to prolong contract terms, while examining successful methods for the arrangement of farmland use systems, both in China and abroad. The auction of the four types of uncultivated land, for example, in which the community sells the use rights to these four classes of land for periods of up to 100 years, has encouraged farmers to devote themselves quite adamantly to these properties. In countries with a strong market economy, the government also ensures the farmers a sense of stability by prolonging the lease term. For example, the French government prolonged the lease term from 3 years before the Second World War to 9 years in 1946, and more recently to 30 years. In Italy it has been extended from 3 years to 15 years, and Israel leases land for no shorter than 90 years. Although there is no international consensus on land use lease terms, there is common goal to offer farmers a sense of stability in the management of farmland (Liu, Zhenbang, 1998). The second measure is that in areas where farmers have land discrepancies, the adjustment of the land contract should be carried out in the name of “overall stability.” Moreover, the adjustment should be regulated by strict conditions; that is to say, the scope of adjustment should be confined only to those specific farmers who suffer most from this discrepancy, and the interval should be made as long as possible. We must make every effort to ensure our farmers a sense of stability in their land contracts.

2. To Establish a Farmland Use Rights Transfer Mechanism

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Farmland is an essential productive element in the development of agriculture. It is not only a natural resource, but, more importantly, it has the quality of asset and merchandise. The circulation of resources is the internal property and basic requirement of a market economy, because only through circulation can the resources be best allocated. The stabilization of farmland contracts does not mean their solidification, since stabilization does not exclude the market circulation farmland rights. The stability is relative and the flow is absolute. Stability is the premise of flow while flow is the existing manner of stability. The two are opposed and unified in the process of optimizing the collocation of land resources. The necessary requirement for the deep development of rural market reform is the shift from the equal-land system, which is guided by administrative means, toward introducing market mechanism into the collocation of land resources and the free flow of land rights among the farmers. That is also a fundamental measure in fostering the principle rural market, perfecting the element market system, as well as in building the framework for a market economy system.

Since 1978, the various resource elements of economic development have begun to flow, and a certain foundation has been formed for a land use circulation market. Particularly since 1992, accompanying the developing market economy, the basic premise for the acceleration of land circulation has been established. There has emerged a buyers' market for farm product supply in recent years, relieving the previously strained condition of farm products supply. The profit drive of non-agricultural industry and the secondary and tertiary industries, both in urban and rural areas, stand as proof for the existence of a foundation for a contract rights circulation market. Secondly, the Chinese government always shows approval for the circulation of land use rights. What is more, in nearly all the files relating to the arrangement of the farmland use system, it is stated that, conditional on their remaining collective property, the transfer of land use rights for payment is lawful and acceptable. And, assuming it is acceptable to the farmers, it is allowable to adopt mixed farming to encourage the circulation of land use rights. It should be noted that the sporadic circulation of land use and land use auctions in various regions have enhanced the circulation of resources among different operating bodies, raised the efficiency of the collocation of the land resources and also elevated the practical foundation for the circulation of land use rights.

It is clear that, to stabilize and strengthen farmers, farmland contract is bound to give rise to land use rights. This land use rights contract has a clear boundary. That is, the farmer can accrue profit from possession as well as equivalent compensation from transference, and it is possible for the farmers to circulate the farmland property rights as an independent exchangeable value. Therefore, as long as the farmland contract rights with connected property rights exist, a land-use circulation mechanism is established.

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An Informal Institutional Analysis of Policy Implementation Hindrances in China

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The term policy-implementation hindrance is used to refer to a situation in which obstruction or even suspension occur, when negative factors in the implementation process cause a partial or total failure of policy goals. Policy-implementation, when so hindered, not only makes it impossible to achieve policy goals, such as maintaining social stability, social order, social demand, social welfare and social development, but also endangers the legitimacy of public authorities, thus inhibiting economic prosperity, political development and social progress. Of course, there are various factors contributing to the effectiveness of policy implementation, but institutional factors play a decisive role in determining the behaviors of those who implement the policies. For institutions are “the game rules in a society, they are man-made constraints determining interpersonal relations,” and they “constitute a framework for men to interact with each other and set up a relationship of co-operation and competition which constructs a society, to be exact, an economic order” (North, 1994, p. 3, 53). The institutional framework confines one’s set of selections, constraining individual behaviors while maximizing personal interests. So that the maximization of personal interest, in fact, consists of making the best choice for oneself within a given set of selections. In other words, institutions have constructed a structure of costs and benefits, and a mechanism of rewards and punishments for people’s behaviors. An individual’s behavioral selection is determined by their institutional conditions. People in real life can only “act under the constraints prescribed by actual institutions” (Coase, 1993, p. 349), and one’s behaviors are the functions of institutions. Therefore, the laws governing people’s behavior and activities can only be made explicit by institutional analysis. There are no exceptions in the inquiry of causes of policy-implementation-hindrances, for these hindrances are ultimately the results of human behavior. The implementation of any policy is always conducted under the constraints of certain institutions, whose effectiveness is subject to its institutional environment. So it was no surprise when Deng Xiaoping remarked: “Institutional issues are fundamental, overall, steady and persistent...Good institutions allow no leeway for the evil to thrive, whereas poor institutions may make it impossible for the good men to maximize their good deeds but even go to the opposite” (Deng, Xiaoping, 1994, p. 333). Therefore, in order to remedy and prevent policy-implementation-hindrances, it is necessary to analyze the institutional factors inhibiting the effective accomplishment of policy goals. In discussing “institutions,” we need to point out that traditional approaches to institutions are mainly concerned with such narrow institutional concepts as formal written laws. But what we have adopted here is the concept of institutions in a broad sense, as understood by institutional analysts in the west. That is, “institutions are constraints made for men constructing social, political and economic relations, made up of informal constraints (moral constraints, taboos, conventions and codes of conduct) and formal rules (constitutions, acts and property rights)” (North, 1996). Because of space limitations and my analysis of the formal

Abstract: As the lever by which public authorities regulate social affairs, public policy must function through its implementation. The effectiveness of policy-implementation is affected by many factors, but it fundamentally depends on the institution. For people’s behaviors are governed by institutions, and public policy is implemented by people. According to the theory of New Institutionalism, institutions consist of both formal and informal institutions. Based on the theory’s explanation of the constraints placed on people’s behavior by informal institutions, this paper will explore how informal institutional factors prevent public policies from effective implementation in China, specifically interpersonal relations and the consideration of faces. We must eliminate the negative impacts of informal institutional factors on policy implementation through enforcing hearings, coordinating policies, publicizing policies, strengthening supervision and bittering ideologies.

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institutional factors inhibiting effective policy implementation elsewhere, in this paper I will focus on the informal institutional factors inhibiting policy implementation, their prevention and remedies, and call for further investigations in this respect.

Informal Institutions and Constraints on Men’s Behaviors

Informal institutions are related to formal institutions. The latter refers to those rules regulating human behavior, consciously created by people, in the form of codes of conduct issued and implemented by organizations, political and economic rules, contracts, all kinds of organizational regulations, agreements, disciplines, state laws and policies, together with a hierarchical structure constructed by these rules. Informal institutions consist of conventional codes of conduct that govern social life, growing unconsciously out of people’s interactions, ideologies, values, ethics, mores and conventions. Perhaps most crucial from among this list is ideologies, for they not only encompass values, ethics, mores and conventions, but also constitute, a priori, a model informed by certain formal institutions.

As we have mentioned above, everyone acts under institutional constraints prescribed by actual institutions. In other words, an individual’s actions in order to realize certain goals are subject to specific formal and informal institutional constraints. The impacts of the latter are sometimes even stronger and more persistent. As the German sociologist Max Weber once vividly put it, “The world image created by ideas, often determines the direction of the interest-driven behaviors like switchmen” (Weber, 1964, p. 280). He believed that there is a spiritual force behind interest-driven behaviors, determining the direction of interests, and thus of behavior. The greater significance is in the behaviors than the drive for interests itself.

Indeed, informal institutions, with ideologies at their core, are very influential to man’s selection of behavior. As we all know, the world is complex, and human reason is limited. When an individual can’t make a rapid, accurate and low-cost rational judgment in the complex world, when the complexity of real life is beyond his rationality, he will take an ideologically assisted “short-cut,” relying on values, ethics, and mores and conventions. In fact, informal institutions, like ideologies, present elaborate sets of rules regulating social relations. Each instructs people on how to realize their interests in different facets of social life and in different ways, thus regulating human behavior. But unfortunately, in comparing informal and formal institutions, people tend to simply think of formal institutions as truly authoritative, discounting the significance of informal institutions. But contrary to this, people’s behavior in many situations is governed more by informal institutional rules than formal. Although the rewards and punishments of formal institutions are tempting and scary, people will often adhere to informal rules, because they are not the expression of the subjective demands of a single group, but rather stand for a means of realizing certain interests in society and maintaining social relations. Violation of these rules means a breakup of certain social relations and the sacrifice of certain interests.

The ideas of American behaviorist B.F. Skinner are particularly illuminating here. He argued, “Any rule or law embodies a statement of a universal interdependence (natural or social). The reason why a man abides by a rule or law is that the rule or law represents a relation of mutual dependence” (1988, p. 114). By mutual dependence, he refers to a system of related interests, bolstered by rewards and punishments, together expressed as rules. Skinner pointed out that, “because of the distinction between explicit and implicit control measures, we are often misled by such distinction. . . . We are inclined to select those obvious control measures. Because their effects are direct and obvious, their roles are easy to observe. But it is a big mistake to ignore these implicit control measures” (1985, p.168-169). Skinner’s arguments reveal the complex and interactive nature of control mechanisms. This is very important to us. However, his invocation of implicit controls is geared primarily at avoiding them, to liberate the controlled. However, he failed to recognize the multiplicity of levels of control in society. It is this multi-level set of controls, as exercised by informal and formal institutions together with the relational interdependence of interests, that account for the complexity of human behavior.

Why does one tend to select the informal rules, as opposed to formal institutions, when confronted with the demands of the latter? When we have gained an understanding of the relations of interests behind these rules, it is not difficult to understand such phenomena. Formal institutions are systems of distributing interests, so are informal rules. Although informal rules are not as powerful as state constraints, they are nonetheless imperative. To an individual, such constraints are crucial and clear, and their rewards and punishments are undeniable. Anyone who deviates from these rules will suffer social rejection. In addition, compared with formal institutions, these informal rules are somewhat obscure, so their rewards and punishments take on a more general quality. When a person does not fulfill what was required of him in a contract, he will suffer the direct formal
consequences, such as prohibition from signing future contracts. Whereas a loss of trust, as a result of lying, will not be confined to this single matter, but affect this person’s image and interpersonal relations. He may be treated by people as a wholly dishonest and unreliable person, perhaps inhibiting his pursuit of interests. Therefore, consequences of deviation from informal rules are not confined to the territory governed by the rules. Such deviation may often be denied by moral principles behind the rules. One who deviates from conventions tends to be treated entirely as a deviant and is rejected by his peers. This function of informal institutions explains their strength in constraining people’s selection of behaviors.

Informal Institutional Constraints on Policy Implementation

Since informal institutions have such a significant impact on human behavior, attention should be paid to their potential effect on policy implementation. In general, when informal institutions, such as ethics, traditional values and conventions, are in accordance with a policy’s rationale, they function as an impetus for or defender of policy implementation. That is to say, if these rules correspond with policy demands, so too, it is likely, will one’s behavior. On the other hand, informal institutions can just as easily present stumbling blocks in policy implementation. And it is not solely in terms of internal regulation and self-discipline that they function. They are external constraints on the members of a given group, and their impact must be taken into consideration in the investigation of policy-implementation hindrances. Although such constraints are perhaps not as common or powerful and significantly harder to pinpoint than those of formal institutions, such as the state, they, like the state, can bring about tremendous repercussions for those who deviate from the rules. Deviation from the rules in the case of informal institutions can result in chastisement and alienation within a group or organization, and in turn, the breakdown of the set of inter-relational interests. Therefore, the tension between policy implementation and informal rules is essentially a conflict between different systems of pursuing interests.

An instructive case in the limitation of effective policy implementation by informal institutions is that of the American Prohibition movement of the 20’s. In 1919, American reformers passed the 18th Amendment to the American constitution specifying the “Prohibition of any drunk-inducing alcohol beverage, trades and transportation as beverages in the States and all other territories in its sovereignty; Prohibition of any alcohol imports and exports to the States and

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the conception of the clan and the idea of raising offspring to assist later in life are two major informal institutional factors that account for the difficulties in implementing birth control policies in Chinese rural areas. The conception of the clan is deeply rooted in Chinese culture. As is well known, the patriarchal system of blood relations in China has a history dating back over two thousand years to the rule of the Xia Dynasty. Under the patriarchal system, every individual is integrated into the clan and exists primarily as a clan member, subordinate to the group. Such patriarchal ideas of prioritizing clan (family) over oneself have a tremendous impact on birth practices. In order to defend and expand the power of the clan, families encourage their members to get married earlier and bear more children. Every clan member also seeks to bring up more children, particularly boys, in order to strengthen and elevate his position in the clan. In contemporary China, though normalized social organizations have replaced the patriarchal systems and play an important role in social activities, the conception of clan as an ideology hasn’t died away with the disappearance of patriarchal systems. Especially in the rural areas, since the adoption of the responsibility system of cooperation in production and contract (LIANCHANGCHENGBAO), the clan still plays a great role in coping with personal relations, family conflicts, social life and even the construction of political power at the grass-roots level. As the saying goes, “More heads, more power!” In China, numbers equal force. The reason why one clan outweighs another is because it is larger, and therefore more powerful. We can say that the conception of the clan as a remnant of the patriarchal system exerts a great influence on the practice of bearing and raising more children, constituting the major resistance to the implementation of birth control policy in the rural areas in China.

Respecting and attending to one’s elders are traditional Chinese virtues and the primary content of Confucian ethics. For ages, the Chinese have observed a doctrine, which states that filial piety is “the essence of benevolence,” and that it “goes first among all obligations.” It is believed that in ancient China dutiful sons abounded. Today, although dramatic changes have taken place in many aspects of people’s social lives with the development of modern Chinese society, the family-based pattern of attending to the elders (mainly in the rural areas) remains a vital part of daily life. Late in life, elders still rely on the family. In this way, the number of offspring not only determines the quality of life of an elder, but also affects the share of their offspring’s responsibilities. So the family-based pattern of attending to the elders is a large obstacle in diminishing the birth rate in Chinese rural areas. Although there are many factors accounting for the marked gap in comparative birth rates between urban and rural areas, differences in social security for the elderly is undoubtedly an important one. Consequently, the convention of raising offspring to support one later in life is an undeniable informal institutional factor affecting the effective implementation of birth control policy in rural areas.

As for the policy aimed at expanding domestic needs to stimulate consumption, conventional practices and ideas about consumption are undoubtedly one of the greatest constraints on its effective implementation. It’s well known that human behavior is governed by their ideas. Conventional ideas about consumption exercise their restrictions on effective policy implementation by playing two negative roles in people’s consumptive behavior. Firstly, conventional ideas like “Expenditure meets income with some savings.” and “No debts, no worries.” have made people’s immediate income the maximum limit for their present consumption. People would rather be frugal than “get into debt” or “consume beyond their income.” They won’t draw their future money earlier to spend at present, namely, “to spend today what is for tomorrow.” As a result of these conservative spending habits, there is a major slump in consumption in China. Secondly, these same conventional ideas have made people fall into the habit of “future-oriented” consumption. Whenever they have some savings, people tend to lay them aside for long-term consumption, for instance, for housing, aging and disease, but dare not expand their short-term consumption. This has brought about inappropriate allocations of people’s expenditures and inadequate structures of individual consumption. Conventional ideas about consumption, with their negative impacts on people’s consumptive behavior, have weakened the sensitivities of citizens, both urban and rural, as target groups for policies directed at stimulating consumption. To a certain extent, they have offset the powers of these policies and weakened their prospective role. In other words, informal institutional constraints have been at least partly responsible for the ineffective implementation of consumption promotion policies.

Humanistic Commitment, Face, and Web of Interpersonal Relationships (Renqing-Mianzi-Guanxiwang): A typical Chinese Version of Informal Institutions Inhibiting Effective Policy Implementation

“Humanistic commitment” (Renqing), “face” (Mianzi) and “web of interpersonal
relationships" (Guanxiwang) are concepts very familiar to the Chinese—eternal subjects in Chinese life, from emperors to civilians, from past to present. Although people have never ceased trying to improve themselves, many of these ideas, affected by traditional values, have remained unchanged for ages. These concepts are interwoven with so many conventional ideas, that a three-pronged force of humanistic commitment/face/web of interpersonal relationships functions as a very powerful informal institution. This informal institution plays an important role in the social, political, economical, cultural and daily lives of the Chinese people, from the appointment of intimate associates in politics, humanistic commitment-based consumption in economics, formalism in culture to the "back-door" and "backup" practices, and entertaining guests and presenting gifts.

What does "humanistic commitment" mean? What about "face", and "web of interpersonal relationships"? To the Chinese, the concept of "humanistic commitment" has two senses. One is the principle that one should see and treat others as human beings. One should have a general sense of humanity, for people are humans, not spirits, and deserve to be treated as such. One’s words and actions should be reasonable. Obviously this is an ethical notion of humanistic commitment. The other meaning of "humanistic commitment" is more pragmatic in nature. That is, in social interactions, men should care for and help others physically or spiritually, working out their problems together. This is what people mean by "buying a humanistic commitment," "sacrificing a humanistic commitment," "begging a humanistic commitment," "requesting a humanistic commitment" and "owing a humanistic commitment" in their daily lives. It is essentially a mode of social interaction, characterized by reciprocity. It tends to be a medium and indicator of interpersonal relationships, and functions as a system of exchange, guaranteeing the mutual benefit of respective social resources. It is this aspect of "humanistic commitment" we are mainly concerned with in our discussion.

The term "face" is a bit more complicated. It implies, not only men's sense of self-esteem and dignity, but also includes the notions of fame, shame, shyness, vanity, consciousness of identity and fear. In a broad sense, "face" can be understood as a state of mind in which one seeks to gain others' respect and recognition. This state of mind can be divided into ethical and pragmatic ones. The former grows out of one's self-esteem and a sense of fame, while the latter arises from his vanity and consciousness of identity. In general, people’s concern with face is often related to their vanity, which is especially obvious in traditional Chinese society (Lu Zhen, 1996, p. 140-142). It is well known that traditional Chinese society is marked by hierarchical ideas. In everyday social interactions, people are ranked based on their position and power. This hierarchical structure is closely related with people’s concerns regarding face. The loss of face means the degradation of rank in relation to others; on the other hand, gaining face means just the opposite. Therefore, people are always attempting to gain face and improve their higher rank. As the Chinese scholar Ying Haiguang put it, "In the Chinese cultures, the outer layer of position and power is face...Face is the second life to Chinese intellectuals, representing strongly their self-esteem. Those who don’t mind their face were looked down upon in the past. If 'faces are split', what follows immediately is the split of personal relationships, which in turn makes it difficult to get things done" (1988, p. 145). It can be seen that face is closely related with interests, in that the split of faces means the loss of interests. "Face" is also a very important concept in China’s system of conventional values, so that there are still many people in China today who merely care about their appearance, living for “better face.” As the Chinese scholar Zhuang, Zexuan said, “The thought of concern for reputation and face has been governing the psyche (mind) of the Chinese people for thousands of years. It’s reflected everywhere in people’s daily lives. In order to save face, one sometimes has to be perfunctory, or even hypocritical” (Sha, Lianxiang, 1989, p. 94).

"Web of interpersonal relationships" is an originally neutral term borrowed from sociology, referring to vast relationships of individuals' comparative power, prestige and rank (status), and hence their location on the web. In western sociology, "web of interpersonal relationships" is a key concept in applying theories of social resources to studies of social structures. According to the basic assumptions in the theories of social resources, social structures are created through webs of interpersonal relationships. The height of one’s location on the web is determined by the amount of social resources, describing a pyramidal structure. The higher the location, the less room there is for others, the more informed of the whole structure and the greater their access to other sites on the web their occupants are. A great feature of the web of interpersonal relationships is the mutual share of resources among individuals on the web, namely, exchanging and distributing every one’s social resources to benefit each other. In any society, people have different resources because of their different locations on web of interpersonal relationships. Those who have power may not have money, while those who have money may not have power. As a result, an exchange arises. It is because any kind of resources can be exchanged that the
advocacy of humanistic commitment and concern with face are popular with the Chinese. Many Chinese think that as long as they have a social resource of some kind, even if it is not connected with power or money, they will weave their web of interpersonal relationships to obtain greater social resources and interests, even if it entails losses. While for western sociologists, valuable resources mainly refer to properties, prestige and ranks, for the Chinese the interpersonal relationship itself is a valuable resource, which accounts for the Chinese emphasis on "relationships," and the negative impacts of their webs of social relationships. This is also why "web of interpersonal relationships" is often in China considered as a term denoting something negative, associated with "backdoor practices" or "female relatives" (QUNDAI), implying the acquisition of an official post through nepotism, or other such interests realized through humanistic commitments (Zhai, Xuewei, 1996).

In China, "humanistic commitment," "face" and "web of interpersonal relationships" are three concepts closely related to one another. When one neglects humanistic commitments, he will lose face. Those with "better faces" are more likely to make others sacrifice humanistic commitment, because they can give "humanistic commitment" with greater ease. And to attain "better face" requires great humanistic commitment. Only when one has gained his face in social life is he able to give others face. Such behaviors are the process of practicing humanistic commitments. If this process becomes strengthened and steady, a web of interpersonal relationships will be woven, whose existence will in turn affect and expand the face of those on the web, creating further strands. Therefore, the operation of "face" in China brings about humanistic commitments, and that operation of humanistic commitments leads to webs of interpersonal relationships. The three depend on and interact with one another, constituting an interrelated unified whole.

Why do people think so much about this informal institution comprised of humanistic commitment/faces/web of interpersonal relationships in traditional Chinese society? Why does it play such an important role in social operations and in people's minds? It is because traditional Chinese society was fundamentally a man-ruled society, in which humanistic commitment/faces/web of interpersonal relationships was not only the means by which to realize interests, but also the nature of this man-ruled governance. Man-ruled governance is essentially rule through humanistic commitment/faces/web of interpersonal relationships. It is this traditional mode of ruling that has been exercising its power on the effectiveness of many policy implementations in contemporary China. The Chinese scholar Xia, Shuzhang has specified three factors affecting effective policy implementation in China: "The first is to replace policy with personal feelings or to assort to one's sentiments; the second is to distort policy out of selfishness; the third is to intervene policy implementation in terms of money." Of the three, the first in fact refers to humanistic commitment/faces/web of interpersonal relationships. To him, "Feelings are on the one hand out of blood-relations and friendship; on the other hand out of interests. One has parents, siblings, spouses, relatives, friends, classmates, townsmen and colleagues, constructing a feeling of different intimacy. If it is not properly handled, the integration of the feeling into policy operation often obstructs policy implementation" (Xia, Shuzhang, 1991, p. 156). Why are such descriptions of policy-implementation-hindrances as "Given regulations and prohibitions, what matters remains unchanged" and "Policies go off the track" so commonplace in contemporary China? One important cause is certainly our truine informal institution of humanistic commitment/faces/web of interpersonal relationships.

The basic feature of humanistic commitment/faces/web of interpersonal relationships is its great emphasis on face and relationships. In traditional Chinese society, the most effective means to pursue interests and avoid losses lies not in reason, regulations or talent, but in face and relationships. In this way, in response to any occurrence people will first think of fostering relationships, opening up routes, sacrificing humanistic commitment or requesting face. Other behaviors are at the best supplementary. This is what people mean by "Men request each other, help each other and promote each other." That "Men request each other" is to request: humanistic commitment, beg faces and establish relationships. That they "help each other and promote each other" means to sacrifice humanistic commitment, give face and assist in building relationships. In practice in society, aren't there still some people who subordinate policies and principles to face and relationships, leading to many deviations from policy implementation?

Another feature of humanistic commitment/faces/web of interpersonal relationships related to the above is that it often expands people's vanity beyond rationality, so that they fall into a state of what's called "face allergy." Those who suffer from this vanity place face above all else. Sometimes in order to satisfy personal vanity, save their face or gain face, they may even sacrifice the public interests, bringing the country losses. Such instances are not uncommon in contemporary China. For instance, although the central authorities have made orders prohibiting officers from dining and traveling on
public money, buying cars above their ranks and building houses beyond official standards, why are there some officers indifferent to these policies? Of course, their decadent thoughts and indulgences can be one of the causes, but it is undeniable that their expanding vanity and excessive concern for face is a crucial reason why they resist the policies of the central authorities.

Indeed, as an informal institution, humanistic commitment/face/web of interpersonal relationships has a wide impact on people’s social behaviors in contemporary China, visible in the humanistic commitment-based transactions in business, face-induced prescriptions in medicine, and relationship-oriented loans at the banks. Even in governmental sectors, which ought to operate on behalf of the public and by the standards of the law, we find such phenomena as humanistic commitment-based case handling in the department of public security, face-based taxation in the department of taxation and relationship-oriented appointments in the department of personnel. Too many policies in China find themselves, rather than effectively implemented, bumping into the soft wall of humanistic commitment, falling down the protective screens of face or trapped in webs of various interpersonal relationships, tangible or intangible.

Conclusions and Policy Suggestions

From the above analysis it is not hard to see that policy implementation is not only affected by formal institutions, but also strongly constrained by informal institutional factors. When there are contradictions or conflicts between public policies as formal institutions and traditional ideas and conventions as informal institutions, the public policies will be implemented as a mere formality. It will meet strong resistance or become distorted, its benefits weakened, potentially winding up a mere scrap of paper. We must not underestimate the deep impacts of informal institutions on policy implementation. Especially in China, with its age-old traditions, changes in informal institutions are much slower and harder to enact than in formal institutions. As the American scholar Gabriel A. Almond said, “No matter how adequate a new regulation appears to its makers, administrative organizations may find, it is very difficult to break through and get rid of traditional social rules”(1987, p. 59). Given this, I have proposed the following suggestions for the remedy and prevention of informal institutional factors causing policy-implementation-hindrances:

1. Pursuing a policy-making hearing system to increase policy feasibility

Effective policy implementation is based on high quality policies, which best represent the actual interests of the public. High quality policies rely on scientific democratic policy-making systems. The policy-making hearing system is such a scientific democratic procedural policy-making system, aimed at making the government listen to the opinions of relevant groups and experts, especially those target groups whose interests are vital to the policies. It plays an important role in enhancing the adequacy and feasibility of the policies. In the case of the implementation failure of the Prohibition Act in America, it is not hard to see that policy implementation is a matter that needs the public’s recognition and approval. If the public resents a policy because of lack of knowledge about its content and feel they were not included in the democratic process, if the policy cannot truly represent the actual interests of the public because of a lack of transparency in its creation, the policy will meet resistance in its implementation. However, setting up a policy-making hearing procedure allows policy target groups or their representatives opportunities to best express their opinions. This can to a great extent prevent errors in policy-making, reconcile and eliminate potential resentments from the target groups, and increase their recognition of the policies, reducing resistance to policy implementation. The implementation failure in the Prohibition Act was to a certain extent due to a violation of conventions. But if the policy makers had allowed opportunities for public participation, like hearings, while making these policies, they could have better understood these conventions and taken them into consideration in considering the feasibility of the policies. At present in China, many changes are taking place across the entire social structure, with more to come in the future. The diversity of interests affected by reforms will naturally make people more concerned with policy as a means for pursuing social interests. The structure of this diversity of interests makes conflict inevitable. “In order to provide a means for institutional expression of various interests and powers, in order to reconcile the conflicts at certain level, and in order to allow people to participate directly in policy-making to have a real understanding and express their opinions based on their actual interests and professional knowledge” (Luo, Chuanxian, 1993, p. 185-189), and in order to make policies better represent public interests, and thus increase their feasibility, we are in an urgent need of a policy-making hearing system.
2. Improving and coordinating related policies to strengthen policy systems.

It is well known that the policy systems in any one country constitute a huge organic unity, made up by the policies of different spheres (political, economical and cultural), different levels (basic policies, substantial policies and operational policies) and policies of different periods (new policies and old ones). These policies are interrelated and interdependent. Consequently, in complicated modern society, the solution of any policy problem can’t rely solely on any single factor but is subject to many factors with the help of coordination from other related policies. A disharmony of interrelated, and interdependent policies will necessarily add to difficulties in policy implementation. As for the policy of “expanding domestic needs to stimulate consumption” that we mentioned earlier, a close examination reveals that the lack of coordination among the policies has in fact helped those conventional values, which are detrimental to implementation, guide people’s behavior. Most of the civilians, although their lives have been improved and incomes have been increased because of the reforms and openings, feel the need to set aside savings for the future, because the reforms are still in an exploratory phase. People in times of reform are uncertain about their future earnings, so they believe they must increase their preparedness. Therefore, in order to eliminate the negative impacts policy implementation of informal institutional factors like conventional values, it’s necessary to improve the relations between complementary policies. It is essential to perfect the coordinating function of policy systems, so as to maximize the smoothness of policy implementation.

3. Expanding policy publicity to increase the public’s recognition of policies

Any policy implementation is based on a target group’s cognition and recognition of its values. “If people don’t subordinate to the demands of the policy, if they don’t embrace the policy, if they don’t act as expected, the policy will then be ineffective or won’t work at all” (Anderson, 1990, p. 140). In general, the interests embedded in policies include not only present interests, but also long-term interests. Because these interests will not be realized until a later date, it is only through forms of policy publicity that target groups may come to understand their close intrinsic relationship with the policies. Also, it is only through this understanding that they may consciously accept the policies and actively follow them, thus laying a solid foundation for effective policy implementation. In fact, in actual policy implementation, most members of a given target group get to know the values of a related policy only through its visibility. Often, the reason why the implementation of some policies is not effective is that their publicity is not extensive enough to inform those affected by the policy. For instance, the ineffective implementation of the birth-control policy, as we have mentioned above, is to a great extent due to the fact that the farmers lack a solid understanding of the values, especially the long-term values, embedded in the policy, as a result of deficient publicity of the policy. Therefore, expanding policy publicity is a necessary means to increase policy recognition and prevent policy-implementation-hindrances.

4. Strengthening the policy supervision mechanism to increase the effectiveness of policy implementation

Policy supervision is essentially a formal constraint on the use of public power in the process of policy implementation. Power, in the words of Dye, an American politic scientist, refers to “the ability or potential of a person in a certain position while making decisions, and such decisions can affect the others in the social system” (1985, p. 9). As an organized managerial government activity, policy implementation cannot be made without the guarantee of power. For any organized activity cannot be separated from the power exercised in it, that is, a relationship of command and subordination among people. However, in the case of policy implementation, the only suitable body to supervise the government is the public, for that is the source of their power. Whether the policy implementer can adequately exert the powers under their control is to a great degree determined by whether the mechanism of policy supervision is efficient, because “any person with power is liable to abuse it, which is a lasting experience for ages. People with powers will exert their powers to the limits” (Montesquieu, 1978, p. 154). The reason there are so many instances of policy-implementation-hindrances stemming from humanistic commitment/facet/web of interpersonal relationships is mainly because there is no necessary supervision over policy implementers. There is no transparency during the exertion of power in policy implementation. If the public power of the policy implementer is exercised in dark and mysterious ways, and the public, the supervision mechanism, has no knowledge of this, there will be no supervision of power. Power with no supervision will go astray. Therefore, the Party and the State must act in accordance with regulations and procedures, and make every policy implementation under the supervision of the public. Only in this way can policy-implementation-hindrances be avoided.
5. Increasing investment in ideologies to reduce the possibilities of policy implementation hindrances

Ideology is at the core of informal institutions. It is a whole set of logically interrelated values and beliefs, providing a simplified picture of the world and guiding people’s behaviors” (Anderson, 1990, p. 20); “[i]deology is an economical mechanism through which people get to know their environments and are guided by a worldview” (North, 1994, p. 55). It can reduce the cost of implementing formal institutions. More importantly, the ideological belief in the legitimacy of ongoing institutional arrangements tends to limit opportunist behavior, which supports policy implementation. Investing in ideology means an increase in capital spent on ideology by policy implementers, thus endowing them with a sense of right and wrong, so as to produce an internal antipathy to deviations in policy implementation. In general, people’s behaviors are the results of their calculation of costs and benefits. Their basic motive for action is to pursue maximum interests. The distinction in people’s behaviors consists of the differences of interest in proportion to cost, which is mainly brought about by ideologies. People may make different judgments as to the costs and benefits of certain behaviors, because of differences in their ideologies and subjective preferences. Therefore, in addition to perfect systems, comprehensive laws and effective social supervision, internal moral constraints are important for preventing deviations of policy implementers. To a certain extent, such informal institutions as internal moral constraints can play a role unrivaled by systems and laws, internally regulating people’s behaviors and activities. Its role is fundamental. That’s why North stressed that ideologies are systems of moral and ethical beliefs with strong constraints on people’s behaviors. In a country as big as China, there are so many involved in policy implementation, that formal institutions can’t wholly solve the problems of policy-implementation-hindrances. They must be buttressed by an increased investment in ideologies.

In summary, in order to make sure policy implementers keep away from deviations, it is not enough to rely on any one force. Rather, we incorporate capital investment in ideologies with formal institutional constructions, so the two supplement to each other. If ideologies, such as moral principles and norms, can penetrate into the minds of policy implementers, than (together with the constraints of rules and laws) deviations and rejections in policy implementation will be minimized, as will, in turn, policy-implementation-hindrances. What I am calling for here is nothing short of “governance by law” and “governance by virtue.”

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How Business Influences Government Policy in China

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Businesses' participation in the political process is the continual focus of corporate political action (CPA) research. There is an extensive literature on the topic, including attempts to explain the determinants of firms' participation in political activities (e.g. Bodewyn & Brewer, 1994; Epstein, 1969; Getz, 1997; Hillman & Keim, 1995; Keim & Zeithaml, 1986; Mahon, 1989; Marcus, Kaufman & Beam, 1987; Mitnick, 1993; Salamon & Siegfried, 1977; Shaffer, 1995; Wood, 1986; etc.), analyses of whether businesses gain economic benefits from their political activities or whether CPA impedes competition within a given industry (e.g. Dean, Vryza & Fryxell, 1998; Freidreis & Waterman, 1985; Grenzke, 1989; Hall & Wayman, 1990; Romer & Snyder, 1994; etc.), explorations of the ethics of CPA (e.g. Christensen, 1997; Hamilton & Hoch, 1997; Hoch & Hamilton, 1994; Weber, 1997; etc.), investigations of the influence of PACs and campaign contributions (e.g. Craig, 1997; Levitt, 1994; Millyo, 1998; etc.), applications of the income-cost framework to CPA decisions (e.g. Andres, 1985; Boies, 1989; Getz, 1989; Humphries, 1990; Lenway & Rehbein, 1991; Martin, 1995; Masters and Keim, 1985; McKeown, 1994; Schuler, 1996; Zardkoohi, 1995; etc.), and so on. Recently, Cole (2000) studied the channels through which interest groups pursue the U.S President.

However, studies of CPA in China have been rare. We recently reviewed the existing Chinese literature on "political action/behavior," "government-business relations," and "corporate action/behavior," and found that very little focuses on CPA, to say nothing of the research on the subject.

Given the political and economic differences between China and the west, Chinese firms face a unique set of choices in pursuing close relationships with government bureaus. For example, China's single party reign, distinct from western bipartisan or multi-partisan systems, precludes political campaigns and therefore campaign contributions. Business practices in China are also quite different from those in the west, a condition determined by cultural differences as much as anything. In China, how to deal with government is always a taboo or at least secret thing that is not talked about publicly, even though firms often deal with government.

This article attempts to discover how a Chinese business can influence government decision-making. The following section briefly reviews the approaches to this process in the west. Section three compares China's culture and political/economic system with those of the west, especially with that of America. Section four presents, in detail, the approaches Chinese firms use to influence the government's policy decision-making. Section five discusses how a company can build a close relationship with government bureaus, and section six analyzes existing and potential problems in the participation of business in politics. Finally, a brief conclusion is given with some suggestions for further studies.

Western Business Approaches to Influencing Government Policy

Academic studies of business participation in politics can be traced back, at least, to Arthur Bentel in 1908. His famous work Process of Government discussed in detail the influence of interest groups on politics, a theme picked up by many scholars since. More

Abstract: Although the Chinese corporate sector is deeply involved in the political process, there has been very little research on the topic so far. This article tries to identify the approaches by which Chinese firms influence government policy decision-making, in order to maintain a favorable business environment. Our analysis indicates that, due to the differences in culture and political and economic systems, there are correspondingly great differences in approaches to political participation in China and the west. For China, the participation of business in the policy process has led to corruption and other serious problems.
recently Getz (1983) identified seven tactics of CPA, namely lobbying, reporting research results, reporting survey results, testimony, legal actions, personal service, and constituency building. Hillman and Hitt (1999) divided corporate political strategies into three categories: information strategy, financial incentive strategy and constituency building strategy. Scholars have examined numerous other tactics in this process, such as contributions to politicians or parties, speaking honoraria, paid travel, grassroots mobilization, advocacy advertising, public relations, press conferences and political education programs, etc. Davis (1998), for instance, focused mainly on CEO testifying and direct lobbying.

There is also a great deal of scholarship on the methods of political influence employed by groups or individuals outside of business. Breton (1974) discussed the ways through which citizens take part in politics. These include voting, joining interest groups, lobbying, participating in a small group’s activity, financial contributions, and becoming an official candidate. Cole (2000) analyzed the channels interest groups use to pursue the President, such as making use of White House staff, the first lady, and the President’s friends and relatives.

The term “approaches” used in this paper is similar to strategies or tactics, but their scope is sometimes narrower, yet sometimes broader, than that of strategies. Here we define approaches as the means a firm uses to influence government decision-making. Therefore, approaches are means based on relations, money, constituency pressure, and social consensus. According to this definition, the approaches that western firms use to participate in politics can be categorized as lobbying and other communication activities (direct lobbying, PAC lobbying, providing research reports, junket congressman, honoraria, paid travel, etc.), campaign contributions (direct contribution or PAC contribution), constituency building (constituency political education and mobilizing constituency pressure), social consensus (advocacy advertising or public image relations advertising), as well as commonwealth contributions (charity contributions, contributions to the arts, education, etc.), consulting and testifying.

It is worth noting that these approaches are dynamic. For example, concern that big companies could exercise undue political influence resulted in the Tillman Act of 1907 and the Corrupt Practices Act of 1925. The Corrupt Practices Act explicitly forbade business contributions to candidates. The Taft-Hartley Act of 1947 forbade Labor Unions from making political contributions. In 1974, the Supreme Court ruled that campaign funds provided by Labor Unions did not violate the Taft-Hartley Act, reasoning that campaign contributions are protected under free speech, and thereafter the constraints on campaign contributions from individuals, companies, and other interest groups were loosened. A maximum contribution constraint was maintained, which in turn prompted the rapid growth of corporate political action committees (PACs). Ever since, lobbying and campaign contribution through PACs have been the main approaches employed by western businesses to influence government policy decision-making, indeed disproportionately so. As Berman (2001) and Vogel (1996) have observed, the bulk of CPA research in recent decades has focused on PACs, lobbying, and campaign contributions, with only sporadic literature examining constituency building, commonwealth contributions, testifying, or public protest.

**Comparison of the Political and Economic Systems in China and the West**

China’s culture, as much as its political and economic systems, bears stark contrasts to those of western nations, especially the United States. First, American political culture is marked by two strands of liberalism. The first, dictated by the ideas of John Locke, is known appropriately as Lockeanism; the other is based on the writings of John Stuart Mill and John Dewey, and is known as instrumentalism. The soul of Lockeanism lies in its emphasis on individualism, private property, and limited government. While instrumentalism asserts that the source of government power is not based on any abstract principle, rather it lies in the political process itself, through which any viewpoint can be expressed fully, any idea can be addressed fully, and any thought can be discussed fully. Obviously, the goal of instrumentalist thought is to develop and improve the democratic process, so as to insure everyone the chance to take part in various “political games” (Pan Zhixing & Wang Enming, 1999). Liberal thought is embodied in the U.S. constitution. The first amendment stipulates that people have the right to free speech, free press, peaceful gathering, and appeal to the government. Under the protection of the U.S. constitution and the culture of American liberalism, individuals and interest groups participate in politics extensively.

Chinese political culture centers around the idea of imperial power, creating a culture of power worship. People in China tend to think of politics as the politicians’ business, and that it has nothing to do with the public. Clearly, in such a political culture, there is very little public involvement in the political process.

Second, as far as concerns the political system, the U.S. has a structure for the separation of the three
powers (i.e. the legislative, executive and judicial powers), so that these three branches of government are independent and maintain a dynamic balance between each other. The "separation of powers" political system is an embodiment of the idea of limited government, so prominent in American political culture, and the application of Montesquieu’s principle. Montesquieu believed that, in order to prevent the abuse of power, it is necessary to use power to inhibit power. Therefore, he conceived of a government whose functions were divided into the legislative, executive, and judicial, each institution independent from the others and thus creating a balance (Ying Hong, 1993). Having adopted this principle, there exist in the U.S. multiple centers of political power.

China, on the other hand, is a nation of the "combination of legislative and executive powers." The National People's Congress (NPC) and its Standing Committee are the supreme national power institutions. The national executive institution (the State Council) and the national judicial institution (the Supreme People's Court and Supreme People's Procuratorate) are subject to the National People’s Congress. As a result, the balancing mechanism in China is relatively weak (Xu Jialiang, 1995). China’s political system adopted the thought of the Paris Commune. When it was formed in 1871, the Paris Commune was the legislative organ, as well as the executive.

Third, China and America have very different systemic political structures, both in terms of party and congress. America has a typical bipartite system, with the Democratic and Republican parties competing for presidency and seats in the Senate and House. Furious campaigning is a remarkable characteristic in America politics. In order to win an election, candidates have to raise abundant money. It is the reason we call American elections “money politics.” Companies become important supporters of political candidates, because of their great fundraising power. Thus, money has captured politics. China has a single party system. There is no competition between different parties, and China’s elections are a kind of indirect election, meaning the president or congressmen are elected by constituency. As a result, China is free of the campaigns so crucial to the American political process.

The American congress consists of two houses, the Senate and the House of Representatives. Senators and representatives are full-time officials, and when elected a candidate must give up his or her previous job. However, the NPC is undivided. To be a congressman in China is a part-time job, and the seats are filled by citizens from every walk of life, including businessmen. The number of congressmen from the business sector has increased rapidly in recent years, highlighting a key difference between the countries: in China, businessmen can participate in politics directly as congressmen. The potential hazard is obvious, that businessmen in the congress will act in their self-interest at the expense of general social welfare.

Finally, there are tremendous differences between the economic systems in China and the west. China had a highly centralized planning economy before 1980. Business production and reproduction activities were decided by the government. The government not only determined what was to be produced, how to produce and how much to produce, but also made decisions regarding distribution and consumption. In such system, government regulates all fields and all activities of the economy, uses planning as a substitute for market mechanism, and uses administrative distribution to substitute for market choices. Under a planned economy system, the whole nation is just like a huge plant, in which business is only a workshop. Politics and business are intrinsically tied; indeed, business is a function of government. Even as the Chinese government propels steadily in reform, transforming the planned economy to a market economy, government-business relations remain disordered. For one thing, too many enterprises are still state-owned, even though they can be privatized. Another aspect is that the government intervenes in businesses too much, and in turn businesses appeal to the government whenever they face problems. In a typical market economy, however, the borderline between government and business is relatively clear. Government can’t intervene in business of its own accord, and business cannot randomly appeal to the government.

The Approaches Used by Chinese Businesses to Influence Government Policy Decision-making

Owing to the differences in culture and political and economic systems, business’s participation in politics is strikingly different in China than in the west. In the west, lobbying and campaign contribution are the most common and important approaches. In China, however, the direct participation of business congressmen and relationship-based lobbying are the most important approaches. The campaign contributions, constituency building, social consensus building, testifying, and public protest employed by western businesses do not exist in China. Meanwhile, Chinese businessmen’s participation in politics directly as congressmen is absent from western political life. Moreover, although China and the west
both have lobbying, there are some key differences in practice. Chinese lobbying is based on the broad relationship network, and the idea of relationships is crucial to the lobbying process. So, the only approaches shared by China and the west are commonwealth contribution and consultation. Finally, there are many illegal approaches in China, resulting in widespread corruption. Now, we turn to discuss the approaches that Chinese firms use to influence government policy decision-making.

**Business congressmen's direct participation in politics**

In the west, corporations’ influence on congressmen has always been one of the focal points of CPA scholarship, because the relevant legislations governing business activities are nearly all passed by the parliament. There is a similar institution in China. The functions of China’s NPC and western parliaments are the same, but there are crucial differences in their constitutions and working attributes.

Chinese Congressmen hold part-time jobs, and they come from every field and every stratum of the society. The leaders, CEOs, or presidents of some enterprises have already participated in politics directly as congressmen. Although they participate in politics nominally on the behalf of people, it is certain that they are pursuing self-interests. They are working to create a political environment favorable for their companies.

This hypothesis is verified by a recent investigation into the bills proposed by business congressmen (IMSM, 2002). Some of the bills are concerned with businesses’ survival and development. These bills range from the repairing of businesses’ physical environment (such as roads) and relieving businesses’ social burdens, to the changing of businesses’ administrative authority, etc. Certainly, in general, Chinese companies have difficulties proposing bills that serve overly “narrow” interests, because it is considered unethical and inappropriate for business congressmen to pursue these self-interests. Formally, congressmen, no matter where or what field they come from, should concern themselves only with “public interests,” since they act as the people’s mouthpiece.

There is another top political body called the Chinese People’s Political Consultative Conference (CPPCC), where business representatives can put forward their opinions or advice on legislation and policies, although they can’t directly participate in the legislative formulation or the vote.

**Relationship-based lobbying**

Just as in the west, lobbying is a significant part of the political process in China, although you find nothing about these activities in any Chinese newspaper. There is no record of business’s lobbying in the Chinese statistics system or almost any other government department. The only exception is the requirement that companies’ offices located in Beijing register in the Administrative bureau for Industry and Commerce or Ministry of Civil Affairs. But it is well known that lobbying activities, or “gongguan” (meaning the use of government relationships to get things done and may be formally translated as “public relations”), are very common in China, even appearing in modern management theories.

Companies generally have relations with government bureaus even before “gongguan.” The purpose of “gongguan” is to reinforce these relations and “purchase” government policies. China had a highly centralized planned economy before 1980. Enterprises were an extension of the government, and acted as an executor of a national production plan. Business leaders enjoyed titles as government officials. This history of relationships between business and government bureaus has a very important impact on today's business practices. Although in recent years the central government has been carrying out drastic reforms to transform state-owned enterprises (SOEs), (such as the privatization of medium and small SOEs and the renovation of some large SOEs) the ties linking companies and government have not been substantially cut off. Moreover, China is a nation characterized by relation networks. Based on these relationships, Chinese extensively lobby the government, and so affect policy. A report recently stated that when the former National Development and Planning Commission set pricing regulations for pharmaceutical products in 2001, leaders of Ha Pharmaceutical Group in Helongjiang province went to Beijing immediately to employ “gongguan”(China Business, 2002).

A company also has the option of forming an alliance with other companies who share certain interests, through the Trade Associations. The practice of “gongguan” amounts to unfair competition for foreign and certain private companies. They have to spend a lot of time and money to build close relationships with the government. There are several ways to build these kinds of relations, which will be discussed in the next section. In general, business congressmen and relation-based lobbying are the two most important, common and effective approaches used by Chinese enterprises to participate in politics.
**Commonwealth contributions**

Though campaign contributions, per se, do not exist in China, commonwealth contributions do play a role in business's influence on politics. Like charity and art contributions in the west, many Chinese companies contribute to the Hope Project (aimed at aiding children who are too poor to go to school), charity groups, the Red Cross, educational institutions, and so on. Although many of the recipients of these donations are officially nongovernmental institutions, functionally they are in fact semi-governmental, because the government encourages them and their activities, with active roles sometimes played by government officials. Companies can not only strengthen their public image through these contributions, but establish government contacts as well. The commonwealth contributions reflect companies' sense of social responsibility, which in turn can gain them government favors and trust.

Relief funds are one of the more popular recipients of these commonwealth contributions. China suffers natural disasters almost every year, especially the seasonal floods of the Yangtze River and summer and autumnal droughts in the North. The government has to spend significant fiscal revenue to relieve the people of these stricken areas. Because of the government's limited fiscal surplus, it must draw support from society, including business circles. It is said that Motorola Co. has contributed a great deal of money to these kinds of institutions and activities (from the website of Motorola China). For a multinational corporation, its commonwealth contributions and education support are very important avenues for developing a good relationship with the government.

**Other legal approaches**

Other approaches for businesses to legally participate in politics include acting as governmental economic consultants or other forms of consulting, actively taking part in government-favored projects, and reporting on relevant issues through the government's public relations departments (the economic coordinating office or even directly through municipal government officials). The approaches entailing reporting problems mentioned above are different from relation-based lobbying, because they only involve temporary problem feedback. These approaches are certainly not as efficient as others, because policy formulation is not determined by any single given leader. Temporary problem feedback doesn't involve businesses in the policy decision-making process, and, as a result, the interactions are short-lived. Lobbying, on the other hand, requires business personnel specialized in making contact with government bureaus, and offering the government research reports and addressing its position on different issues. Generally, it requires a fellowship between the government and the company before any lobbying occurs. Lobbying also requires the company to draft strategies designed to guide the targets, issues, and methods of lobbying.

**Illegal approaches**

It is not surprising that illegal approaches are often used by enterprises to influence government policy decision-making. These activities create corruption and have caught the public's attention in China. Some companies influence politics through bribes and other unscrupulous tactics. This phenomenon of widespread corruption has been discussed extensively elsewhere, and so this paper will not elaborate on those approaches.

**How to Build a Good Relationship with the Chinese Government**

There are a number of options open to businesses looking to establish strong relationships with the Chinese government, some of which aim at high ranking government officials and others at certain government bureaus.

The first approach to building a good relationship with the government is gift giving, a traditional and popular approach in China. However, the phenomenon of gift giving has been a cause for some concern, as it is often combined with bribery. Especially when there is a significant status discrepancy between the two parties. The Chinese regard gift giving from subordinates to superiors with skepticism and view it as a sort of fawning. So one must be cautious and tactful in their gift giving, so as to succeed in accruing favor but not raise public suspicion.

The second approach is to provide help to governmental officials. In the eyes of the general public, officials don't need any help from subordinates. They are far removed from the masses and are asked for help by others, rather than seeking help themselves. But in fact, everyone, regardless of their social status, wealth or importance, needs others' help at some time. To help government officials in need is to establish a strong foundation for governmental relations. The Chinese attach a great importance to helping those who once helped them, if they do not do so they are indebted. This sort of reciprocal assistance is a fundamental aspect of the Chinese character, and frequent frank contact and
communication will only strengthen the established relations.

The third approach to building a close relationship with government is commitment. Local governments are in competition for external investment and opportunities to develop commercial trade to stimulate regional development. This presents an excellent opportunity for companies to build a close relationship with local governments. From the governments’ perspective, they need investments to develop local economies and to advance manufacturing and management technologies. Such investment can create strong business-government relationships through joint ventures or other alliances.

The experience of Microsoft in China is an instructive example. When the corporation first came to China in the early 1990s, it refused to set up joint ventures with Chinese firms and only wanted to sell its products. As a result, its development in China was quite slow. Microsoft has since changed its development strategy, and has tried to mend this rift with the Chinese government by setting up numerous joint ventures. This example demonstrates that commitment is a significant approach to building close relations with the Chinese government (Tian Zhilong & Gao Yongqiang, forthcoming).

The fourth approach for establishing strong relations with the government is a tactical action. Businesses build relationships first with those who can exert influences on officials, such as their spouses, relatives and influential friends, then through these contacts they build close relationships with officials. This approach is emphasized and used commonly by companies in the west, as well as in China. One of the reasons for this approach is that the key officials are very cautious in dealing with companies and don’t want to give the public the impression that they are too connected to the business world. Another reason is that the officials are extremely busy, and the building of close relationships takes a lot of time. This tactic, however, has been known to produce corruption.

The fifth approach is to use various illegal means, such as money and sex, to bribe government officials. This phenomenon is discussed extensively in the existing literature on corruption, so we will not discuss it further here.

The Main Issues in Business’s Political Involvement in China

Internationally, the growth of governments’ interventions in business operations has forced businesses to participate in politics, in order to render a favorable political environment. The uncertainty of government policy formulation in China forces businesses to influence government policy decision-making through less direct approaches. Moreover, some of the existing approaches are highly problematic. Here, we will discuss the problems of the approaches themselves, and then analyze the obstructions to the approaches.

The first problem in the previously outlined approaches is the question of fairness and appropriateness of businessmen acting as congressmen. Let us first look at the question of appropriateness. It is unimaginable in the west to think of CEOs concurrently holding a congressional post. The existence of business congressman is a by-product of the old highly-planned economy. At the time, companies were directly affiliated with the government. There was, therefore, no conflict between business interests and public interests. However, in or after the process of China’s transition from a planned economy to a market economy, it is no longer appropriate for businessman to participate in politics as congressman. For, surely now there is a discrepancy between business and public interests, and it is ludicrous for a self-interested businessman to act as the mouthpiece of the public.

Now we turn to the problem of fairness. Although it is legal at present for businessmen to participate in politics, there is a question is how to guarantee the fairness of this participation. If some companies have congressmen and others do not, some industries have congressmen and others do not, and most large companies have congressmen and most medium and small enterprises do not, then how are we to maintain fairness? One solution to both the appropriateness or fairness questions is to reform the NPC system, such as transforming congressmen into a full-time position, or forbidding businessmen to act as congressmen.

The second question relating to business’s participation in politics is that of the process’s opacity. Because of certain aspects of traditional culture, there is a general distrust of business’s involvement in politics in China. Therefore, the process is usually indirect and hidden. A direct and serious consequence of this opacity is widespread corruption. Because it is an opaque process, it is very difficult and costly for the public to supervise, and lack of supervision inevitably leads to corruption. An effective solution to this corruption might be found in the institutionalization of the business participation process.

The third problem faced by businesses is the obstruction of political participation, that is to say the lack of appropriate and legal participating approaches. In the west, business’s participation in politics is safeguarded by laws. As an example, the first amendment of the U.S. constitution stipulates that
Congress must not formulate any laws that deprive people the right of peaceful gathering and appealing to the government because of injustice (Yufei, 2001, p. 309). The Federal Lobbying Rule Act of 1946, the Lobbying Disclosure Act of 1995, and the independent federal justice system also together guarantee this right will not to be eroded. Moreover, America is a corporatist country, and businesses can participate in politics through various organizations, such as the U.S. Chamber of Commerce, U.S. Association of Manufacturers, the Roundtable Conference of Industrial Community, labor unions, trade associations, and other interest-based coalitions. However, in China business political participation is not guaranteed by any laws. Although Chinese law also stipulates that people have the right of peaceful gathering and some industries have formed trade associations, the level of sophistication of these organizations is far lower than in America. The number of organizations through which a company can influence government policy decision-making remains too small.

Second, in America and most other western countries, the president, senators, and congressmen come to office through direct elections by their constituencies. The business community plays an important role in fundraising and canvassing during election campaigns, thus ensuring that their business interests will be considered once their candidate(s) are in office. This kind of connection between business and government does not exist in China, because of its indirect elections. As a result, Chinese businesses turn to illicit approaches to influence politics.

Conclusions and Implications for Further Study

Our study finds that businesses in China, as in the west, participate extensively in politics. But due to the differences in culture and in political and economic systems, there are great differences in the approaches employed by companies to influence government decision-making. The main approaches used by western companies include forming PACs, campaign contributions, lobbying, charity contributions, constituency building, and imposing pressure on policy-makers. However, in China—where the situation characterized by our single party system, indirect election, part-time congressmen (some from the business sector), and the transition from a planned economy to a market economy—the main approaches for businesses to influence government decision-making are direct political involvement through business congressmen, lobbying based on personal relationships and an unbalanced power dynamic with business subordinate to government.

The approaches presently used in China result in a number of serious social problems. First, there is the issue of appropriateness and fairness related to business congressmen's direct involvement in politics. Second, there is the problem of corruption made possible by the obstructions, indirectness and opacity of business's relationship with government in China, as dictated by traditional Chinese culture.

Further research should focus each approach's efficacy, and why and how different companies choose to employ the approaches that they do. Further studies may discuss the reform of the Chinese political system, such as electoral reform, constitutional reform, changing the nature and quality of congressmen's work, and how reforms can be used to restrain corruption.

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Knowledge Management and Public Organizations: How Well Does the Model Apply to Greece?

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In today's global environment, change, rather than stability, is the order of the day. Rapid changes in technology, cultural values, social life, competition and citizen/customer demands have increased the rate at which organizations need to alter their strategies and structures in order to survive and operate successfully. As the pace of change has increased, the importance of planning, monitoring, and controlling activity has decreased. Thus, today's business system tends to move organizations towards a world of work, where everything is in flux and where continued learning is the only stable goal. Public as well as private organizations need to have the capacity to be adaptive (to learn the necessary skills for consistent solving problems) and generate knowledge (to establish new methods of solving problems). In other words, bureaucratic organizations have to be transformed into learning organizations.

The role that managers (especially those in the middle level) play within every organizational environment has been fundamentally reoriented. In order to encourage learning and knowledge creation, managers need to collect, analyze and synthesize information, facilitate adaptability, and implement strategic decisions. However, it is still doubtful how far public organizations' managers can alter their actions and develop this three dimensional role, and it is still questionable how far learning and knowledge creation has become an issue in public organizations.

Thus, the purpose of this paper is to contribute to an answer of the above question. More specifically, it seeks to investigate the role of the middle manager in organizations operating in the Greek public domain. Greece's complex, huge and non-competitive public sector makes the country a very good candidate for the purpose of this study. Greek public organizations are characterized by a long tradition of legal culture, which is associated with an enormous bureaucratic structure. In such an organizational environment, it is very difficult for middle managers to take new actions or develop new roles, such as those of knowledge synthesizers and facilitators.

The Emergence of Organizational Learning

Organizational learning (OL) is a process through which managers can adapt and modify an organizational environment, in order to help organizations survive in an increasingly competitive and constantly changing business system. A learning organization is an organization that is open to environmental changes, able to accept those changes, to try to analyze them and then to transform them to

Abstract: This paper seeks to shed some light on the field of organizational learning in public organizations. More specifically, the purpose of this paper is to investigate the role of the middle manager in organizations operating in the Greek public domain. Our main finding is that middle managers are, in fact, far from fulfilling the role of knowledge engineers in Greek public organizations, succumbing to old style operational duties. Middle managers are merely conduits, translating plans into action, monitoring and controlling activities to keep things on track. In other words, their role in public management is completely internal, because they have lived their lives within the functional corridors of an organization's hierarchy.
new actions and strategies. These concepts, which have been analyzed by several theorists (Argyris & Schön, 1978; Bateman, 1973; Nonaka & Takeuchi, 1995), help us to understand that OL is a philosophy rather than a practice.

There are three major concepts behind OL. The first concept stresses the importance of the whole organization over its individual constituent parts (Draffke & Kossen, 1998). Thus, when we deal with organizations we have to deal with 'live organisms' connected by many different and interrelated parts. The second concept deals with the human side of organizations, and is predicated on the fact that "people are not to be treated as disposable items but as parts of a team because the team helps define the individuals in it" (Draffke & Kossen, 1998, p. 161). Finally, the third concept explores the discrepancy of description and condition. Language, though it describes reality, is not reality. As Senge et al. (1994) point out, even though there can be numerous descriptions of a single phenomenon, none of them is absolute truth, in that, none of them truly conveys the reality of the situation.

So, the basic process in OL is the production and dissemination of knowledge through an organization (Senge, et al., 1994). OL, from this point of view, is closely linked with an organizational sense-making process. This is basically an interpretative routine used by decision makers to detect problems, define priorities, and develop an understanding of how to deal with performance discrepancies (Senge, et al., 1994). A key role in this process is played by individual managers. According to Senge (1990), OL is the process through which managers seek to improve an organization member's desire and ability to understand and manage the organization and its environment, enabling them to consistently improve organizational effectiveness. This argument, then, raises the first question in our analysis: Do managers at all hierarchical levels play a key role in the OL process? Or, more specifically, are Middle Managers important in the OL process?

The 'New Middle Manager': the Role of Middle Managers in Knowledge Creating Organizations

The vast majority of today's managers in large organizations are middle managers (MMs) (Floyd & Wooldridge, 1996). "Their positions are located between the strategic apex and the operating core of the organization" (p. 3). Several theorists have attempted to create a definition of middle management (Breen, 1984; Brennan, 1991; Ishikawa, 1985; Kanter & Stein, 1979; Kay, 1974; Mintzberg, 1973). For the purpose of this study, we will adopt a broad definition given by Dopson (1993) referring to all those below the small group of top strategic managers and above first level supervision.

Traditionally, MMs could be described as the 'status route workers,' whose positions mainly consisted of routine management. Their focus was completely internal: they translated programs into actions (Floyd & Wooldridge, 1996). Nevertheless, the rapid changes in every business environment (local, national and international), as well as the need for organizations to alter their strategies and to adopt new management practices, suggests the need to redefine the role of MMs. As Floyd and Wooldridge (1996) argue, "middle managers are increasingly

Diagram 1
The middle managers' synthesizing role in the organizational learning process

called upon to focus on the 'what' of strategy, sharpening top management's vision by developing and promoting initiatives that respond to changing conditions" (p. 6). There are two distinct views on MMs' changing position in the new business environment: the pessimistic and the optimistic.

Briefly, the pessimistic view, as expressed by Scarbrough and Burrell (1996), is that, "middle managers are no longer the beneficiaries of organizational change, as they were under Fordism, rather they are its primary victims" (p. 182). In other words, the impact of organizational change will be manifested first in the demise of MMs, due to information technology, second, in a reduction in their numbers due to increased competition, cost reduction efforts and changing attitudes toward authority, and third, in their personal development, career, status and autonomy. However, it is not our intention to go further with the pessimistic view analysis, given that the optimistic view provides a clear relational model between middle management and the learning organization.

According to the optimistic view, organizational changes have a positive impact on MMs. It seems that MMs in the new organizational environment have greater responsibilities, more authority and more autonomy than before. In other words, it seems that the ever-changing organization needs the 'new middle manager' as a key player. This argument is supported by many authors and academics. Dopson and Stewart (1993) suggest that in the slimmer and flatter organization there are new opportunities for MMs, who will occupy a pivotal role in implementing changes. The same study points out that most of the MMs are positive about the changes and the ways in which their jobs have been affected by them.

Additionally, Floyd and Wooldridge (1996) argue that MMs' centrality in the information network creates the potential for them to become a driving force in OL. According to them, OL improves when MMs actively participate in the strategy-making process. Diagram 1 illustrates the synthesizing role of a MM and how it fits in the OL context. Core organizational values, which represent how an individual member of an organization might view the world, "shaps the experiences and interpretations of individuals and influence what the organization pays attention to, and how members of the organization come to a common understanding of the strategic situation" (p. 73). In other words, through synthesizing information, facilitating adaptability and implementing strategic decisions, MMs link strategic purpose with organizational action (Floyd and Wooldridge, 1996).

Moreover, Larsen (1997) characterizes MMs as 'strategic ambassadors'. According to his view, in knowledge organizations, bottom line employees are those who have direct contact with 'the outside world' (customers, suppliers, government policies, competitors, etc.). They cannot, however, transfer any valuable information taken from outside. Therefore, MMs are those who receive feedback from their employees and transmit this new information to the top of the hierarchy. Larsen (1997) called this the "bottom-up ambassador role" of MMs. In his view, MMs also play a "top-down role," by helping to link

Diagram 2

The role of middle management in a knowledge-creating organization

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the overall organizational strategies made on the top of the hierarchy with the tasks of each individual within an organization.

Another aspect of OL is that it results from actual performance on the job, rather than from participating in training programs (Revans, 1982). MMs have a crucial role to play here (London, 1988; Margerison, 1987). They are usually involved in the re-designing of jobs, which is directly associated with learning opportunities for their subordinates. Furthermore, MMs are responsible for formal, as well as informal, training of their employees. Finally, they influence (negatively or positively) certain experimental learning by enacting the ‘rules’ of interacting with the business environment.

However, the most influential work about organizational knowledge creation and distribution and the role of middle management is given by Nonaka and Takeuchi in 1995. They place MMs at the core of the ‘knowledge-creating company’ by giving them the most significant role. As they point out, “middle managers are the knowledge engineers of a knowledge-creating company” (p. 154). Diagram 2 illustrates the MMs’ position in Nonaka and Takeuchi’s view. In it, top managers create the vision, the general strategy of the organization according to their views, as well as according to their interrelations with the outside environment. At the bottom line of the organizational structure, employees are faced with “the chaotic realities” of the day to day interactions with customers, suppliers and others from the inter or extra-organizational environment. However, it is quite difficult to creatively link these two extreme structural layers, in order to improve OL and to operate successfully. There is, thus, a great need for a middle layer, which will work as a “bridge” between senior executives and bottom line workers (Nonaka and Takeuchi, 1995). Therefore, MMs “take the lead in converting knowledge” (p. 154), by synthesizing the knowledge of senior managers and front line employees and by facilitating the adoption of this distinguished knowledge creation.

To sum up, MMs are the ‘learning agents’ in a knowledge organization. It seems that they are not simply ‘implementers’ of decisions made at the top of the hierarchy. Rather, they can be the knowledge ‘synthesizers’, by linking the knowledge created outside of the business environment, as well as inside the organization. They can also be the knowledge ‘facilitators’, by transmitting this knowledge to a common organizational knowledge, shared by every structural level. Thus, the question that now comes to mind is: Do managers at all hierarchical levels play a key role in the OL process? Or, more specifically, are Middle Managers important in the OL process?

Organizational Learning and Middle Management in a Public Sector Context

Even though organizational learning is a concept that has been applied in the field of organizational analysis over the past 45 years, nearly all studies of OL have examined business. As Rist (1994) points out, “what we know of organizational learning is what we know from private sector” (p. 192). It is widely known that administrative changes first hit private management agendas and only later permeate the public sector. Moreover, public organizations seem to move very slowly towards the adoption of new management philosophies and practices. Nevertheless, the concept of OL could not leave management in the public domain unimpressed. Therefore, the systematic assessment of OL in the public sector was started at the end of the 1980s and beginning of the 1990s.

Yet it is quite unclear whether the nature of organizational learning can have a similarly positive meaning and application in both the private and public sector. According to Mark and Willecocks (1989), if organizational learning is to be directed towards inter-organizational competition, then public services will adopt private management practices, and the wider public interest is unlikely to be served. In addition, Handy (1990) characterizes organizational learning as “properly selfish,” without clear roles, goals and ethos for public services.

Beyond these negative reactions about the nature of OL and its relation to public organizations (POs), there is a small amount of literature considering the issue derived from public sector experience. Atwood and Beer (1988), in examining development work in public health organization in the UK, argue that it is quite difficult for POs to become learning organizations. According to their view, POs need to adopt tactics aimed at refining organizational objectives for planned change. In addition, Edmonstone (1990) notes that organizations operating in the public domain meet more obstacles on their way to becoming knowledge organizations than private sector enterprises. He also points out that the major reason for this is the high degree of bureaucratization in public sector bodies.

In more recent studies, we still note pessimistic views about the concept of OL in public services. Wallace et al. (1997), suggest that there is a range of factors, which inhibit the application of the OL concept in POs. These factors include fixed structures, a tradition of a non-participating policy making, government regulation and the expectation among public servants to act rather than learn. This last factor seems to be quite an important obstacle for OL application in PO. For example, highly localized,
interpersonal relationships between civil servants have a strong impact upon OL capability (Franklin, 1997; Murphy & Blantern, 1997). Another pessimistic view, based on research from the UK, is given by Smith and Taylor (2000). They attempted to assess the feasibility of the learning organization model for public organizations, by devising and applying a gauge, comprising seven dimensions of organizational behavior with eight dimensions of accountability. Their results support a lack of progress "towards the learning organization ideal" in the public sector.

However, the above studies dwell more on organizational qualities that may, or may not, help facilitate POs' ability to learn; they exclude from the agenda the institutional actors "that serve as providers/filters/users of information relative to the governance of public sector organizations" (Rist, 1994, p. 193). Thus, it is important to consider a second group of literature, concerning individual managerial responsibility for ensuring OL in public services. Ventris and Luke (1988), studying the US public sector, argue that public organizations need an "enlarged" conception of learning, and so propose a "substantive learning" approach, meaning "the process of improving publication through knowledge that critically examines the domain assumptions and normative implications of public policies in an interconnected political environment." So, public service managers need to think and act within an organization operating "in an inter-governmental and intersectoral environment" (Ventris and Luke, 1988).

Willcocks and Harrow (1992) provided an additional view about UK POs. Their research shows that MMs vary in their views about the capacity of public sector organizations to learn from private sector management practices. More specifically, they identify four categories of middle management response: "resisters", "doubters", "inevitable acceptors", and "welcomers" (Willcocks and Harrow, 1992, p. 74). They also concluded that MMs have a minimal role as OL agents, and they were uncertain about "the likely organizational effort to link individual learning to the organization's present and future needs" (p. 73). Undoubtedly, these results suggest that the OL process will face uncertain support from major organizational actors, like MMs.

If we relate these pieces of evidence with Morgan's (1986) argument about a number of barriers to OL that are particularly common in bureaucratic organizations (fragmented organizational structure, autocratic management style, etc.), we can come up with the following fundamental question: To what extent can middle managers operate as learning agents in more turbulent, mainly bureaucratic and non-competitive public organizational environments?

We could argue that MMs play an important role in the OL process. However, the evidence for this conclusion comes mainly from private sector organizations. There is still a big question mark about how MMs can contribute to OL in public sector bodies. This question mark is even bigger in public organizations with a 'defensive culture', where issues are obscured, problems are hidden (Morgan, 1986), and there is a delay in adopting new management practices. Thus, it would be useful to examine to what extent OL can occur under these circumstances.

Middle Managers in the Greek Public Sector

The Greek public sector is highly centralized and continuously suffers from pathologies, such as fragmented structures, client relationships between citizens and politicians, and inefficient management practices (Makridimitris & Michailopoulou, 2000; Papadimitriou & Makridimitris, 1991; Theopanidis, 1992). The results are mediocrity, a lack of motivated personnel and poor organizational performance, which leads to a failure to satisfy citizens' needs (Kofidu et al., 1997).

Greek public management literature has almost nothing to contribute concerning middle management's roles and perspectives in modern organizations. A major reason stems from the slow acceptance, within the Greek public administration system, of the idea that public management is a science as well as an art. The idea has started to play an increasingly significant role over the last two decades. For a number of reasons (economical and political) prior to the 1980s, neither business nor public management had been prioritized. In addition, the term 'manager' is very broad and has no legal status (Bournos & Livian, 1997). "Practically the person who acts as manager may cover several types of responsibilities depending on the company's policy" (p. 32).

Nevertheless, there are two studies considering the roles and actions of MMs in Greek organizations. The first one is a piece of comparative research that was carried out in five countries, one being Greece (Vouzas, Burgoyne & Livian, 1997). According to this study, in organizations with a strict and inflexible structure, such as those in Greece, middle management cannot abandon their traditional role. They identified themselves as supervisors, with formalized lines of authority and a less autonomous role. MMs in these organizations were acting as guardians of well-kept territories. Their major focus and preoccupation was the implementation of decisions made at the senior management level.
The second of these studies is more relevant to our work. It is based on research carried out among MMs working in Greek POs (Kofidu et al., 1997). One of its purposes was to assess MMs' activities and identify their actual roles. The major conclusion was that "middle managers in the public services are heavily engaged in routine administrative tasks at the expense of managerial ones" (p. 100). More specifically, they found that a large portion of their working time is lost in routines and paper work, and less time is spent on more managerial ones.

These two studies indicate that middle management in Greece can hardly take initiatives and contribute to the introduction of new management practices. However, the studies are mainly focused on the binary question of bureaucratic vs. managerial responsibilities of MMs. Neither deals with the concept of the OL. There is no study that examines the synthesizing, facilitating and implementing role of MMs in Greek public services. In other words, a new study will be useful in exploring the particular MMs' roles in the OL process. Moreover, none of the previous studies explore inter-sector differences, such as different kinds of POs. Finally, no previous study examines differences, either in educational background or between men and women. Thus, there is a need to remove the blinkers and put OL into a national context of POs, examining to what extent the three distinctive roles of OL are applied by MMs.

Research Methodology

As we have argued above, the literature emphasizes the significance of MMs' role in the OL process. Thus, our research seeks to test two major hypotheses: firstly, that MMs in Greek public organizations cannot act as 'implementers', 'facilitators' and 'synthesizers', and secondly, that there are particular differences in the responses corresponding to different educational backgrounds and to different sub-sectors of the public domain.

The research methodology is based mainly on a quantitative analysis. A survey was carried out among 250 middle managers working in Greek public services. Data was collected through a structured questionnaire that was completed anonymously. The participants were asked to assess their synthesizing, facilitating and implementing activities on a 3-point scale ("Rarely," "Occasionally" and "Frequently").

The sample of MMs was drawn from a wide range of public organizations, classified into four general categories: central government departments, local government, social security/health services (including public hospitals, benefits agencies, etc.), and the broader public sector (including public enterprises and independent administrative authorities). One hundred and eight (108) questionnaires were handed-in, a return rate of 43.2%. Of the total number of respondents, 47.2% are males and 52.8% are females. This could indicate that most MMs in the Greek public services are women. It is true that the public sector is more attractive to women, because it offers a permanent job position without many requirements and a stable number of working hours (eight). However, this is related to the fact that the Greek public sector presents little appeal for 'career hunters'. In other words, few highly educated and well-experienced managers will try to find a job in the public domain, because it offers far fewer career opportunities and other incentives (e.g. salary, public relations, etc.) than the private sector offers. The last argument is illustrated by the research findings given in Table 1, showing the educational background of the respondents. The majority of the respondents are bachelor degree holders, but only 18.5% of them have a postgraduate degree (Master's or PhD).

Moreover, the majority of respondents (45.4%) are in the middle age group (40-49) followed by those in their 50s and 60s (25%). The third largest age group appearing in this study is between 30 and 39 (20.4%). The smallest group of respondents is under 30 years old (3.7%). This finding indicates that job advancement in public organizations is connected to the working years of the employee, with the majority of middle managers in the middle age group. Finally, it may be interesting to point out that the majority (63.9%) of the MMs who participated in the survey work in big public bodies with more than 1000 employees. This evidence supports an image of a huge and bureaucratic public domain.

Research Findings
Table 1
Educational background of the middle managers

<table>
<thead>
<tr>
<th>Educational background</th>
<th>Men (%)</th>
<th>Women (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Education (High school, Lyceum)</td>
<td>17.6</td>
<td>10.5</td>
<td>13.9</td>
</tr>
<tr>
<td>Undergraduate Degree (BA or BSc)</td>
<td>64.7</td>
<td>70.2</td>
<td>67.6</td>
</tr>
<tr>
<td>Postgraduate Degree (MA, MSc, MBA, PhD)</td>
<td>17.6</td>
<td>19.3</td>
<td>18.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47.2</strong></td>
<td><strong>52.8</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 2
Educational background and Implementing role

<table>
<thead>
<tr>
<th>Educational background</th>
<th>Rarely</th>
<th>Occasionally</th>
<th>Frequently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Education (High school, Lyceum)</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Undergraduate degree (BA or BSc)</td>
<td>9.6%</td>
<td>21.9%</td>
<td>68.5%</td>
</tr>
<tr>
<td>Postgraduate degree (MA, MSc, MBA, PhD)</td>
<td>5%</td>
<td>15%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Table 3
Educational background and facilitating role

<table>
<thead>
<tr>
<th>Educational background</th>
<th>Rarely</th>
<th>Occasionally</th>
<th>Frequently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Education (High school, Lyceum)</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Undergraduate degree (BA or BSc)</td>
<td>65.8%</td>
<td>26%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Postgraduate degree (MA, MSc, MBA, PhD)</td>
<td>0%</td>
<td>10%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Table 4
Educational background and synthesizing role

<table>
<thead>
<tr>
<th>Educational background</th>
<th>Rarely</th>
<th>Occasionally</th>
<th>Frequently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Education (High school, Lyceum)</td>
<td>73.3%</td>
<td>13.3%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Undergraduate degree (BA or BSc)</td>
<td>72.6%</td>
<td>19.2%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Postgraduate degree (MA, MSc, MBA, PhD)</td>
<td>0%</td>
<td>30%</td>
<td>70%</td>
</tr>
</tbody>
</table>

As the main objective of our study was to identify evidence for or against the existence of the 'New Middle Manager' within public services, we present our findings in terms of its three specific roles: 'implementer', 'synthesizer' and 'facilitator'.

Middle managers as 'implementers'

The most commonly recognized organizational role for MMs is that of implementing decisions made at the top-management level. Therefore, we can define implementation as the process through which decisions, policies and strategies are translated into action plans and practical procedures within an organization. As Floyd and Woolridge (1996) argue, "implementation is commonly perceived as a mechanical process in which plans are deduced and carried out from a master strategy conceived by top management" (pp. 44-45). Nevertheless, the two authors argue that in today's business environment implementation is not just an administrative process, but an intellectual one, which requires MMs to know "the strategic rationale behind the plan..." (p. 45). In addition, several authors (Kanter, 1986; Carr, 1987) claim that in a restructured organization MMs need to act less as administrators and more as leaders, planners, and project leaders. In other words, MMs need to have an organizational understanding of decisions, and not simply to apply and control top-management directions.

Our findings seem to support the fact that MMs in Greek public organizations are very much concentrated on implementing activities. More specifically, MMs were asked to assess their involvement in the implementation process based on five descriptive statements proposed by Floyd and Woolridge (1996), and adapted to a PO context.
Figure 1 shows clearly that the majority of MMs (75%) frequently perform the role of 'implementer'. Less than 20% (17.6%) indicated that they occasionally act as decision 'implementers'. Finally, only 7.4% of those questioned stated that in rare situations they implemented deliberate strategy.

It is interesting to see the distribution of answers among people from different educational backgrounds and among those who work in different sub-sectors. No significant difference can be observed in the distribution of the responses among the four sub-sectors (see appendix). As Figure 2 shows, from MMs who rarely act as 'implementer', 20% work in local government, 9.8% work in welfare services, while 3.1% work in the broader public sector.

Of those who believe that they occasionally involve themselves in implementing actions, 5% work for government departments, another 6.7% work in local government, 22% work in welfare services and 25% in the broader public domain. The MMs working in government departments seem to be the largest group (95%) who responded that they frequently perform the role of 'implementer', followed by those working in local government (73.3%), those working in the broader public sector (71.9%) and, finally, those in the welfare services (68.3%).

Furthermore, if we compare the educational background of the respondents with their answers, we can observe no correlation between level of education and the performance of this role.

Table 2 shows the absolute numbers, the percentages of the educational levels of the MMs, and their responses to the question of the implementing role. Once again, it seems that the majority of the
MMs who participated in the research, regardless of educational background, frequently (84.2%) prefer to implement decisions than to take actions towards deliberate strategy.

**Middle Manager as 'Facilitator'**

We can define facilitating as the process through which MMs assist in the adoption and implementation of any kind of innovation, by helping them pass through the organizational agenda. The new middle manager has to create the potential situation for the organization to adopt initiatives. As Kanter (1986) argues, the new entrepreneurial managers combine ideas with actions. They need, for example, to act as 'teachers', helping employees to adapt to the changes. As Wisdom and Benton (1992) point out, since organizations give more authority and responsibility to their personnel, MMs will need to become more learning oriented. Nonaka and Takeuchi (1995) give a more complex definition for the role of the MM. They suggest that the middle manager should facilitate the four different modes of knowledge (Sympathized, Conceptual, Operational and Systemic) within a knowledge creating organization.

Moreover, Floyd and Wooldridge (1996) argue that good facilitators help employees to build creative relationships, not only among them, but with the customer/citizen as well. Floyd and Wooldridge (1996) also suggest five specific behaviors related to a good facilitator. MMs have to:

- encourage informal discussion and information sharing
- find time for new/experimental programs
- provide the appropriate resources for trial projects
- provide a "safe" environment for the implementation of programs/projects
- relax regulations in order to create a flexible environment for new programs started

In our survey, we asked MMs to assess on a 3-point scale whether their actions corresponded to the above five behaviors. The results are shown in Figure 3. The evidence from our research can hardly support the existence of 'facilitators' within public organizations. More specifically, we found that only 22.2% of the respondents frequently try to create a potential organizational climate that will encourage innovation and adaptability.

25% of them seem to occasionally perform this role. However, more than half (52.8%) of our subjects rarely perform the five activities that correspond to the 'facilitator' role.

We have come up with some interesting results concerning each of the sub-sectors. According to Figure 4, more MMs working in the broader public sector than central or local government and welfare services seem to react negatively towards facilitating activities. This result is interesting, if we consider the fact that organizations in the broader public sector are more free to operate in a more competitive and private management oriented way. Almost 56% of the people working in the broader public sector appear to rarely perform this role. The same question in the other three sub-sectors garnered a response of 45% in government departments, 53.3% in local government, and 53.7% in social security and health services. Of those MMs occasionally performing this role, 30% work in government departments, 40% in local government, 24.3% in welfare services and 15.6% work in the broader public sector. Finally, 28.1% of those working in the broader public sector, 25% working in central government, 22% in welfare services and only 6.7% in local government frequently involve themselves in a facilitating role.

The most interesting result, however, comes from the educational background of the respondents and their preferences towards facilitating (see appendix). As Table 3 shows, the frequency of MMs acting as 'facilitators' is strongly dependent on their educational background. More specifically, our findings seem to support that MMs who hold a postgraduate degree (Master's or PhD) more frequently perform this role than MMs who come from lower educational levels. Also, it might be interesting to point out that 65.8% of those with only a Bachelor's degree seem to react negatively (rarely) to performing the facilitating role, and only 8.2% seem to react positively (frequently).

**Middle Manager as 'Synthesizer'**

Perhaps the MM role most closely linked with OL is that of 'synthesizer'. The position of MMs in the area between strategy and operations is a critical one, because this level has the ability to creatively link the two structural extremes. We can define synthesizing as the process through which any kind of information coming from anywhere inside or outside the organization is effectively transmitted anywhere within the organization. As it is argued, MMs have a key role in translating strategic change into operations (Smiths, 1989).

The new middle management has a much more critical and complex job to do, by "synthesizing the strategic significance of emergent events and information." (Floyd and Wooldridge, 1996). Their role is becoming more strategic (Dopson, 1993). According to Schil (1987), MMs filter information and evaluate choices before the decisions reach the top level. Furthermore, Burgelman (1983) emphasizes, the critical role of MMs is not only in supporting initiatives, but also in combining these with the
organization's advantages and conceptualizing them into new policies and action plans.

The contribution of MMs in the synthesis of knowledge is vital in Nonaka and Takeuchi's work. The two authors believe that MMs "synthesize the tacit knowledge of both front-line employees and senior executives, make it explicit, and incorporate it into new technologies, products, or systems" (p. 155). In addition, Floyd and Wooldridge (1996) link successful OL with MMs' ability to frame ideas and to promote notions and concepts that have a positive impact on an organization's shared understanding of its strategic outlook.

Trying to identify evidence for the existence of 'synthesizers' within the Greek public domain, we asked MMs to respond to five descriptive statements given by Floyd and Wooldridge (1996), which make-up the synthesizing process. As Figure 5 shows, 59.2% of the respondents seem to rarely perform the role of the 'synthesizer'. Therefore, we can say that more than half of our respondents do not actually participate in the synthesizing process. Nevertheless, it seems that there is a group of MMs who react more positively in synthesizing information and promoting knowledge within POs. The rest of our respondents (40.8%) seem to be divided equally between occasionally and frequently acting in this capacity.
20.4% occasionally perform this role, while the last 20.4% seem to frequently link information and promote knowledge within their organizations.

There seems to be no significant correlation between the distribution of responses and the four sub-sectors. Figure 6 shows that the most negative reaction to synthesizing activities seems to come from local government organizations (60%), while the fewest negative responses come from central government agencies (55%). The organizations that belong to the welfare services seem to have the largest percentage of responses in the 'frequently' category (22%), where the lowest percentages are in the broader public sector (18.8%). Finally, the responses of all sub-sectors in the 'occasionally' category are 40% for government departments, 33.3% for local government, 41.5% for welfare services, and 44% for the broader public sector.

A very interesting finding, though, comes once again from the educational backgrounds of our respondents (see appendix). As Table 4 shows, educational level is strongly correlated with the responses to the question of the synthesizing role. It is quite clear that MMs with a Master's degree or PhD react positively to synthesizing activities. It is characteristic that 70% of the postgraduate degree holders frequently perform synthesizing roles, while the other 30% occasionally perform this role. Once again, our findings are quite disappointing for the great majority of respondents; 72.6% with bachelor's rarely perform the synthesizing role, and only 8.2% and 19.2% frequently or occasionally act as 'synthesizers'.
Discussion

Trying to put all of our arguments together, we will follow an analysis based on the answers to the questions raised in the theoretical part of the paper.

**Question 1** focused on the extent of the importance of MMs in the OL process. As we have seen, they do play a substantial role (Dopson & Stewart, 1993) by helping their organizations operate as 'learning organizations'. More specifically, it has been argued (Floyd and Wooldridge 1996; Larsen, 1997; Nonaka & Takeuchi, 1995) that the OL process, activated by the 'New Middle Manager', includes three major roles: the implementation of deliberate strategic decisions, the facilitation of any new idea or innovation within the organization, and the synthesis of any information/knowledge coming from anywhere outside or inside the organization. However, the empirical evidence in this direction mainly comes from private sector enterprises.

Therefore, Question 2 asks whether MMs can operate as 'learning agents' in public sector organizations. We have seen that most studies have concentrated more on what aspects of the external environment do or do not facilitate public organizations' ability to learn (Atwood & Beer, 1988; Edmonstone, 1990). In contrast, there is very little research about the institutional actors that can function as providers (synthesizers), filters (facilitators) and users (implementers) of knowledge related to the management of public organizations (Rist, 1994). The little evidence that there is emphasizes the 'should be' of managers in public administration, and not their actual performance (Ventris & Luke, 1988). Only one study focuses on the attitudes of MMs towards OL (Willcocks & Harrow, 1992). However, this study is connected to a public organization environment (UK), which is more certain and has very well accepted managerial practices, derived from the business sector.

Thus, Question 3 asks to what extent MMs can operate as 'knowledge engineers' in uncertain and non-competitive public sector environments, such as the Greek one. There are two research studies exploring MMs role in the Greek business system (Kofidu et al., 1997; Vouzas, Burgoyne & Livian, 1997), but both of them are focused upon the binary bureaucratic vs. managerial actions of MMs. None of these are concentrated to the learning organization concept, meaning that none of these examines the synthesizing, facilitating and implementing role of MMs in Greek public services. Our study tried to put the concept of the 'new middle manager' in the Greek public sector context, exploring to what extent MMs operate as 'implementers', 'facilitators' and 'synthesizers'.

From the analysis of the research findings, we can conclude that middle managers working in the Greek public sector are still far from the ideal of the 'new middle manager'. The research evidence can hardly support a claim of the MMs acting as 'learning agents' or 'knowledge engineers' within the Greek public domain. More specifically, we found that the overall majority (75%) of MMs concentrate themselves in administrative actions, which are more or less associated with the implementing role. Meanwhile, only a minority of them seems to facilitate innovation and change (22.2%), or to synthesize and transfer information through the organizational hierarchy (20.4%).

There are several explanations for these findings. First, it is true that the Greek public administration cannot operate independently of political intervention. Client relationships are well established in the informal Greek public management agenda. The decisions that determine the responsibilities of the civil servants are taken at a political and not at a managerial level. This means that these decisions are taken to serve political interests, rather than serving the effective operation of POs. Also, the superiority of the political agenda over the managerial one makes the adoption of modern management practices even more difficult. Therefore, there is a lack of incentive for MMs to operate in a more managerial, rather than bureaucratic, way. They seem to be trapped in a political, or even worse, in a party pathology, without having the potential to escape.

A second explanation is related to the delegation of power through the existing hierarchy. Every kind of decision is made at the top of the hierarchy, leaving a limited space for independent action at the middle level and even less for the bottom line employees. The issue of MMs' authority in both the private sector and PO has been discussed at length (Kay, 1974; Kofidu, et al., 1997; Nutt & Backolf 1993; Theophanidis, 1992). The literature supports the claim that MMs' decision power is quite insufficient, uncertain and limited. This lack of delegation of authority from the upper to the middle level of the hierarchy effectively perpetuates an old style of operation, in which MMs concentrate on translating plans into actions, and controlling and monitoring activities. Adopting Floyd and Wooldridge's term, they are still the "watchdogs who kept things on track" (p. 5). MMs are also, trapped in a bureaucratic pathology, which does not let them operate autonomously. As one MM wrote in response to one of our open questions, given in the questionnaire:

"Even though there are times when many of my colleagues and I would like to adopt new practices, we feel that we do not have the potential due to our limited power. Top-management has
much more power, and can perform ‘miracles’ if they want’.

Yet another explanation is that civil servants are victims of a well-established, apathetic, organizational culture. MM’s permanent job position, as well as the lack of motivation, creates a sense of indifference in regards to changing their manner of operation. Even though some of them have the intention of taking initiatives, they cannot find the appropriate avenues to develop them. Most civil servants, however, are hidden behind the regulations of their job descriptions, without any desire for any further responsibility. As another MM said:

"Most of the activities referred to in your questionnaire have nothing to do with our responsibilities and our work in this organization. I think that all of them are things that only top-managers should do."

This culture of apathy is part of a popularly held image in Greece of public administration in general and civil servants in particular. Many people see the public domain as a very good opportunity to have a comfortable, life-long job, without hard work and without many risks and responsibilities. This perception, then, makes POs attractive to people who do not want a career or to people who do not have the appropriate managerial skills. At the same time, there is a lack of professional managers or highly educated people, who could assist public organizations in creating an environment that could adopt effective management practices.

This last explanation is strongly supported by our research findings regarding the educational background of the respondents. We have shown that the majority of highly educated people respond more positively to the roles characterized by the ‘new middle manager’. The MM’s holding a postgraduate degree (Master’s or Doctoral degree), act more frequently as facilitators and synthesizers. This finding suggests that the recruitment of highly skilled personnel might be a method for transforming POs into learning organizations. However, it is worth pointing out that in a highly politicized public administration, such as the Greek one, the initiative to recruit such personnel is a political one.

Conclusions

The role of middle management is an important issue in the OL process (Floyd & Wooldridge, 1996; Nonaka & Takeuchi, 1995). With regards to this argument, there is still little empirical evidence as to whether and to what extent MM’s can operate as ‘learning agents’ or ‘knowledge engineers’ in POs. The question mark is rather bigger when examining more complex and turbulent public administration environments. Our research study tried to shed some light through the absence of empirical evidence regarding MM’s involvement in the creation and distribution of knowledge within organizations operating in the Greek public domain.

From the analysis of the results, we can come up with the following conclusions about the MM’s of our sample group:

- MM’s mainly concentrate their actions towards implementation of deliberate decisions.
- MM’s rarely or occasionally operate in a facilitating capacity.
- MM’s rarely or occasionally act as synthesizers of knowledge and information within a PO.
- There are no notable differences in the responses of MM’s working in a specific sub-sector.
- MM’s with high educational backgrounds (Master’s or Doctoral degree) seem to perform the facilitating and synthesizing role more frequently than those with a lower educational background (Bachelor’s degree or any lower diploma).

The above research results support the hypothesis that MM’s in Greek PO’s are still far from exemplifying the ideal of ‘knowledge engineers’ or ‘learning agents’. We have provided an explanation for our research results. This explanation, which we can call ‘Greek PO’s pathologies’, can be further categorized into ‘political pathologies’, ‘bureaucratic pathologies’, ‘cultural pathologies’ and ‘external environment’s perception pathologies’. These pathologies inhibit MM’s from being the core human resource of the OL process, and inhibit public organizations from become learning organizations.

The above research evidence, however, does not seem to support the second hypothesis, at least as far as it concerns gender and the sub-sector. It seems that males and females both concentrate more on implementing than on facilitating or synthesizing. Moreover, there are no differences between the responses of MM’s working in different sub-sectors. This result is quite surprising, since some organizations (especially those operating in the broader public sector) are more private management oriented and, thus, can more easily accept and apply new management philosophies than organizations operating in the core of public administration (e.g. government departments).

On the other hand, our study indicates that there is also a considerable number of MM’s who react more positively to the role of ‘facilitator’ and ‘synthesizer’.
If we consider the fact that the positive responses in our study came mainly from those participants with higher levels of education, we can conclude that there is cause for optimism. That is, a potential influx of more educated people in the middle or upper management level could contribute to the transformation of POs towards learning organizations.

Without doubt, our research can be criticized as having some limitations. Firstly, the sub-sector distinction might hide certain of risks, due to the major differences characterizing the legislative regime. For example, most of the organizations included in the broader public sector are free to operate in a more private management orientation than those found in the other three sub-sectors. Secondly, our research is purely quantitative, trying to find MMs’ general views on the three roles. A more qualitative approach (structured or unstructured interviews and/or observations of MMs’ work and responsibilities) might give richer results and be more useful in providing an in depth analysis of what is really happening in public services. The latter limitation might be a very good reason for further research. Finally, a comparative study between the private and public sectors, or between the public sectors of two different countries, is also required to provide us with more evidence towards OL and middle management role in public sector organizations.
### Appendix

#### Chi-square and Pearson's R

<table>
<thead>
<tr>
<th>Correlation</th>
<th>$X^2$ Value</th>
<th>Df</th>
<th>Pearson's R</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Educational background and synthesizing role</td>
<td>45.712</td>
<td>4</td>
<td>.507</td>
</tr>
<tr>
<td>2. Educational background and facilitating role</td>
<td>67.333</td>
<td>4</td>
<td>.575</td>
</tr>
<tr>
<td>3. Educational background and implementing role</td>
<td>6.957</td>
<td>4</td>
<td>-.091</td>
</tr>
<tr>
<td>4. Sub-sector and synthesizing role</td>
<td>.484</td>
<td>6</td>
<td>-.032</td>
</tr>
<tr>
<td>5. Sub-sector and facilitating role</td>
<td>5.196</td>
<td>6</td>
<td>-.011</td>
</tr>
<tr>
<td>6. Sub-sector and implementing role</td>
<td>11.411</td>
<td>6</td>
<td>-.121</td>
</tr>
</tbody>
</table>

*For 1 and 2 do not accept the null hypothesis

*For 3, 4, 5, and 6 accept the null hypothesis

- $X^2$ refers to performed test on potential correlation between variables of interest, where under the null hypothesis, variables are independent. Rejection of the null hypothesis implies that there is some kind of correlation between the variables.

- Estimated Pearson's R shows whether there is a positive or negative relationship and how strong it is. For positive values of R, there exist similar positive relationships, and the closer R is to one (1), the stronger the relationship that it is. The opposite for negative values of R, between minus one (-1) and zero (0).

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Endogenous Economic Growth in China

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China has enjoyed spectacular economic growth over the past twenty years or so. The Chinese leadership has utilized the country’s comparative and competitive advantages to reorient her economy toward export-led growth, has attracted a large amount of foreign direct investment, and has commanded a respectable trade surplus. Largely as a consequence, China is rapidly becoming a world-manufacturing powerhouse, based largely upon her abundant and inexpensive labor resources.

It is our view, however, that export-oriented growth has intrinsic limits in China, and that an alternative long-term growth strategy is worthy of serious consideration. The specific alternative we have in mind is based upon endogenous growth factors, especially knowledge generation and utilization. While China can perhaps continue to rely on exports, cheap labor, and a huge domestic market for foreign investment for some time to come, sooner or later the question will almost inevitably arise: How long can China sustain economic growth based on her current strategies?

Moreover, when the question arises it will almost certainly bring with it the concomitant question: Are there alternative growth models available, and if so, what do they look like and what do they imply for China? We think now is a good time for public policy makers and administrators to start to consider these questions.

Chinese regional economic development has in recent years relied heavily on foreign direct investment, export-oriented industrialization, and other traditional growth models. Accordingly, there has been a widespread hope that the Chinese economy will be able to cash in on China’s recent admission to the World Trade Organization. Such hope is undoubtedly positive and very exciting for both China and the rest of the world. However, we propose that individuals in positions of political and administrative leadership in China, especially those responsible for the design and conduct of economic development programs and policies, might nevertheless want to consider pursuing a parallel long-term growth strategy that emphasizes the utilization of domestic markets and especially endogenous growth factors. Thus, in this article we introduce the endogenous growth model, and focus largely on its treatment of knowledge as an

Abstract: China has enjoyed spectacular economic growth over the past twenty years or so. However, Chinese regional economic development has relied on foreign direct investment, export-oriented industrialization, and other traditional growth models. While China can perhaps continue to rely on exports, cheap labor, and a huge domestic market for foreign investment for some time to come, sooner or later the question will arise: How long can China sustain economic growth based on her current strategies?

We propose in this article the endogenous growth model as an alternative and long-term growth strategy, and focus largely on its treatment of knowledge as an independent factor of production in Chinese regional economies. This article thus proposes a new institutional framework defined as a trilateral commission. The commissions are designed to advise and enhance communication between local and regional government leaders and administrators on knowledge-based collaboration and coordination among business, government, and the research community, as well as on the issue of knowledge generation and utilization.
independent factor in production in Chinese regional economies.

The endogenous growth model implies that long-term sustainable economic growth and development in China is most likely to occur with an increase of technical knowledge, specifically through enhanced innovation. Active and full participation and collaboration by business, government, and the research community are apt to be instrumental to these ends. We, therefore, propose that individuals in policy and leadership administration positions in China consider setting up new institutions and organizations, designed to facilitate the creation and utilization of knowledge in the Chinese socio-political-economic sphere. More specifically, in order to establish a socio-political and economic milieu in which the conditions for creating and utilizing new technical knowledge are most likely to be found, Chinese political and administrative leadership might want to consider initiating and building trilateral commissions of business, government and university research officials. These commissions will be established to advise and enhance communication between local and regional government leaders and administrators on knowledge-based collaboration and coordination among business, government, and the research community. Our proposal specifically is to design and establish these institutions and organizations within China, so as to remove conceptual, behavioral and institutional constraints to knowledge growth and deployment. This will create an environment most likely to help generate, disseminate, and utilize new knowledge for regional economic growth and development.

Theoretical Background: Knowledge and Regional Economic Development

The export oriented view of regional economic growth and development prevails in China today, as it does in many parts of the world. It stresses that regions are developed from without (exogenously) rather than from within (endogenously). The associated theories and models lead to an emphasis upon expansion of the export sector as the best strategy to encourage regional economic growth and development. The basic idea is that capital and labor flow into the region, enabling its base of endowments of the factors of production to be utilized and related products to be exported, thus bringing in financial capital from outside the region and leading to development. The primary characteristic is the importance attached to exports as the primary causal factor and driver of the growth and development process.

The potential for export oriented theories and models to successfully function as a basis from which to prescribe regional growth and development policy is, however, limited in several ways, particularly insofar as identifying the major determinants of growth are concerned (Armstrong & Taylor, 2000). First, while they assume that the export sector is the exclusive source of regional economic growth and development, it is conceivable that this could develop as a consequence of forces and factors within the region, for example intra-regional trade or the utilization of endogenously stimulated advances in technical knowledge. Moreover, along similar lines the non-export sector as well as the export sector may enjoy productivity improvements stimulated by output growth. Second, the relationship between output growth and productivity growth is highly complex, and the evidence offered in support of efforts to understand it is controversial (Boulier, 1984). Third, export oriented theories and models do not specify, explain or otherwise help to understand what industries a given region has historically specialized in, or will specialize in as the future unfolds. This is pivotal, especially insofar as the applied value of any such theory or model derives from its accuracy in the prescription of what industries in a given region merit attention and investments by public policy makers and public administrators. Fourth, insofar as export oriented theories and models are not explicit with respect to their assumptions, they lack referential transparency (Warfield, 1990). Thus, any associated explanations of regional economic growth and development have been incompletely rendered, and any decisions and policy prescriptions based on such theories and models are more likely to lead to potentially serious unintended consequences.

In light of these limitations, our proposal is instead based conceptually upon the endogenous growth model (Romer, 1986, 1990). Rather than emphasizing the source of development from outside the region, it is based upon a view in which output growth is represented as a function of capital, labor and technological knowledge within the region. In contrast to export-oriented models, the underlying rationale is oriented around supply. That is, if a region can develop the capacity to produce new products, then a market for them will be found. The model postulates an aggregate regional production...
function focused upon the contributions of capital, labor and technology to aggregate regional product growth. As supplies of capital and labor increase and as technical knowledge advances within the region, regional product grows ad infinitum. This view of economic growth and development does not ignore or deny the conventional growth-related factors related to the region’s natural endowments, industrial mix, population size, location, or the relative sizes and characters of the capital and labor stock. But it does directly place a relatively heavy premium upon unconventional economic factors, such as human capital investment (Mathur, 1999), community and institutional variables (e.g., leadership), learning and social capital (Stough, 2001), ethnic diversity (Rupasingha, Goetz, & Freshwater, 2002), and entrepreneurship (Armstrong & Taylor, 2000, pp. 76-78). There are several measures of such growth, including growth of output (e.g. Gross Regional Product), output per capita, and output per worker.

Inasmuch as the endogenous growth model accurately represents the processes of regional economic growth and development, it implies shifts in processes, programs, and policies for economic growth and development. One can formally deduce from the model that any given region’s aggregate product can increase only by increases in the capital to labor ratio (capital deepening) within the region or by improvements in the region’s development and utilization of technical knowledge (Armstrong & Taylor, 2000, pp. 66-71). To be perfectly clear on this point, capital investment makes it possible to substitute capital for labor in production processes, enabling the same number of workers to produce more output. Otherwise, the model implies that the sole alternative cause of regional economic growth and development is an endogenous increase in the growth and deployment of local knowledge. Thus, according to the model, growth of knowledge within a given region is a necessary, but not sufficient, condition for regional output growth. Among other things, this implies that there is a vital economic development role for universities and other social institutions and organizations, whose primary social function is to produce, preserve, transmit and find new applications for knowledge.

Since knowledge growth explains the source of technical change, usually with reference to human capital resources and particularly knowledge capital, the endogenous growth model raises the issue of how to understand and establish the conditions under which knowledge growth and enhancements in its utilization are most likely to occur (Johansson, Karlsson, & Stough, 2001). These conditions are at the core of any of its applications, so it is worth asking specifically what they are (Cracknell, 2001). For instance, what are the conceptual, behavioral and institutional conditions under which the advancement of knowledge in China can be made to proceed as expeditiously as possible? What, if anything, could Chinese public policy makers and administrators do to remove the constraints on innovative thinking, if not to actively encourage it? What can be done to speed up the adoption of innovation in the Chinese workplace? How can “the rules of the game” be changed, so as to create human capital accumulation and a stock of knowledge from which to realize the benefits of positive knowledge spillovers?

Of course, given that the endogenous growth model is simply an abstract representation of a set of perceived commonalities between myriad of complex and ever-changing circumstances throughout various regions around the world, there are no guarantees that in any given set of circumstances its application will be successful. Indeed, even under the best of circumstances, if these questions about knowledge growth and deployment are answered and the implied steps successfully taken, the effects on output growth may not occur for years to come. Increases in knowledge inputs in endogenous growth reliably effectuate regional economic development in the long run, not overnight. More specifically, the requisite periods of time must be at least long enough for the new knowledge to be developed and utilized, in such a way as to lead to more effective and efficient action (Schon, 1995). Though past a certain point, long-term economic development will not occur without knowledge growth. In the short term, knowledge growth alone does not guarantee an increase in regional economic output. That is, sometimes knowledge growth will lead to output growth and sometimes not, depending in part upon attendant levels of capital investment, the labor force, and the extent to which the newly produced knowledge is utilized in various economic production processes. Even if the conditions most conducive to knowledge growth and utilization in particular circumstances are identified and established, and as a consequence an increase in knowledge growth occurs, the process of setting the causal structures in place and then letting the causes propagate or transmit themselves into observable output growth can require a considerable period of time. Moreover, the period of time during which the causal process occurs is likely to be
punctuated by a series of unproductive periods, before any significant effect on productivity or output growth is likely to be observed. Unless public policy makers and administrators are willing to make long-term commitments to knowledge growth and utilization, regional output growth is not apt to follow.

A key point here is that, whereas the endogenous growth model points clearly to the value of knowledge in economic growth and development, it depends not only upon the efficiency and effectiveness with which research is conducted and produces new knowledge at universities and other institutions of higher learning, but also upon the institutional arrangements through which such institutions relate to government and business. This is because, according to the endogenous growth model, in the long run regional economic growth and development depends upon the advancement and deployment of knowledge within the region. Thus, if China is to grow endogenously, especially given the size of its standing labor force and the difficulties it faces in attracting foreign investment, it must produce new knowledge. But more than this is required. The new knowledge must also be utilized. The potentially binding constraints on regional economic growth and development are determined not only by capital investment and the size of the labor force, but also by the conceptual, cultural, and institutional contexts through which new knowledge is produced, organized, marshaled, and combined with these other factors to provide the material needs and wants of society.

East Asian Experience and the Case of China

The endogenous growth model implies the removal of institutional constraints that inhibit the spread of ideas and knowledge. At the same time, it suggests the utility of governmental guidance in facilitating the growth and utilization of knowledge. For instance, governmental officials might consult with business leaders on regulatory policy, infrastructure building, the allocation of resources, and service provision. However, for such a relationship to be effective it cannot be unidirectional; it is equally vital for business and education/research institutions to reciprocate in advising government on business development, R&D, market trends, technology innovation and investment ideas. Through mutual consultation and advice, both government and local institutions can cooperate in obtaining information, knowledge, and perspectives necessary for economic growth and development to occur.

The role government has served in the regional economic growth and development of East Asian tiger economies has been well documented (Berger & Hsiao, 1988; Deyo, 1989; Haggard, 1990; Wade, 1990; World Bank, 1993). Initially, the visible hand of government intervention was thought to be necessary to beat the cycle of poverty (Alam, 1989). Rent-seeking and predatory behavior was generally believed to have been insignificant, which helped explain why governments in E. Asia had not failed (Thompson, 1998). Such states' successes were attributed to government policies characterized by sector-specific interventions, adoptions of export-oriented industrialization, state maintenance of a significant portion of the public sector; institutional arrangements resisting the pressures of rent-seeking, a merit-based and centrally controlled bureaucratic system, and a close working relationship between government and business (Amsden, 1989; Thompson, 1998; Wade, 1990). While those earlier studies focused on the benign and positive character of government, the post-financial crisis of 1997 revisionist literature has viewed the role of government with a critical eye. Mercantilist behavior, excessive intervention, mismanagement of monetary and fiscal policies, official corruption and crony capitalism have been linked to the developmental state and have been blamed for the Asian financial crisis (Islam & Chowdhury, 2000; Kang, 2002; Katz, 1998; Kwong, 1997; McLeod & Garnaut, 1998).

Past this point, there have been, in broad terms, three levels of state involvement (Perkins & Roemer, 1991). First, the state has played a major role in capital formation - as in South Korea and Japan - mainly to provide infrastructure investments. Second, the government has also intervened in the production and distribution of certain key commodities and services. Third, governments have wielded significant control over the private sector through central bank control of commercial bank interest rates, quota restrictions on the import of key inputs, and the utilization of discretionary taxes and administered prices.

In more general terms, although scholars differ in their views on the appropriate role of government and the magnitude of government involvement in regional growth and development, they tend to agree that governmental agencies and actors can promote economic growth through instruments of industrial policy, finance, and effective implementation of
strategies (Amsden, 1989; Johnson, 1982; Machintyre, 1994; Thompson, 1998; Wade, 1990). Moreover, there is fairly broad agreement that appropriate government intervention is market-based, well disciplined, and helps to promote domestic and international competitiveness (Islam & Chowdhury, 2000; World Bank, 1993). Accordingly, governments should not play an all-imposing and controlling role in managing economic growth, but rather more of a market-conforming role. Bureaucratic capacity to design and implement policies and monitor industrial performances is a prerequisite to successful utilization of any of these instruments. In turn, this implies that a reasonably high degree of merit, competence, autonomy and knowledge of the state of industry and business is necessary for government agencies.

Studies on Chinese regional development reveal a similarly important role for state and government policies (Duckett, 1998; Fan, 1997; Hendrischke, 1999; Wang & Hu, 1999; Yang, 1997). Those studies focus on coastal development (Han & Yan, 1999), preferential policies (Rozelle, Park, Benziger, & Ren, 1998), local governments, (Duckett, 1998; Oi, 1996; Tan, 2002), and grand regional strategies (Wu & Song, 2003). Studies also find that different strategies, policies, and levels of governmental involvement have had mixed effects on regional development. For example, uneven regional growth and disparity were found to be a function of local government leadership (Tan, 2002)—a finding, by the way, that is consistent with the endogenous growth model as well as central government policies (Fan, 1997; Han & Yan, 1999; Johnson & Woo; 1997)—and the so-called “trickle-down effect” (Zhao & Tong, 2000); while other studies showed that coastal strategies and government policies produced positive spillover effects and reduced regional disparity (Golley, 2002; Rozelle, Park, Benziger, & Ren, 1998). Another factor examined in terms of contributing to regional growth is, of course, direct foreign investment, especially in the Eastern part of China (Sun & Chai, 1998). Regional comparative advantages and proper use of local resources have also been recognized as essential to local economic growth (Chan, 1996; Hendrischke, 1999).

Conceptually as important as government policies, leadership, development strategies, and factor endowments, the role of knowledge in creating regional competitive advantage and growth in China remains a crucial aspect of regional economic development that demands to be further explored. The Chinese government recognized the importance of science and technology and even proposed a strategic resolution to “revitalize China through science and education” in 1995 (Lu & Shan, 2000). The government at that time made it clear that, in the view of the leadership, rejuvenation of the national economy and national prosperity rests with science and technology (S&T). Various state measures and policies concerning high-tech development, technology invention and application, and education were taken to ensure the realization of such S&T strategies. The state has also implemented several national S&T programs, such as the “Star Spark” and “863” plans, to speed up the utilization and application of high-tech inventions. However, China is still falling behind in terms of scientific knowledge production (research publications), technology innovation (R&D to GDP ratio), and in terms of S&T investment return rate (only one third of world average) (Hu, 2002; Li & Handberg, 2002). Despite the promise and potentials of state high-tech policies and programs, the national S&T system has yet to become an effective institution impacting national economy. Overall, state S&T investment is still insufficient and the institutional ability to generate new funding is seriously limited. The system is rather rigid and overly-centralized (Li & Handberg, 2002).

Setting considerations about capital investment aside, lack of effective S&T programs and institutional capacity to develop a knowledge-based economy is perhaps the most important challenge facing the Chinese government. There is, in our view, a tremendous need for the government to reevaluate S&T policies and programs, and to integrate such policies and programs into a knowledge economy that thrives in a liberal and decentralized economic environment. This is not to say that the state should be laissez faire, but rather that the state should delegate power and resources to local governments, that will in turn work with local communities in creating a knowledge based economy.

Proposing a Trilateral Partnership Commission

It is in no way our intention here to argue that the demand-oriented approaches to regional economic growth and development are unimportant, but rather to focus upon the implications of the endogenous growth model, specifically in terms of the
relationship between knowledge and local institutional arrangements in China. Accordingly, the endogenous growth model emphasizes the importance of a broad array of intra-regional institutional and unconventional economic variables as major influences in creating and maintaining sustained economic growth and development. Some of these are variables over which local actors have considerable discretion. Especially insofar as a region’s governmental institutions condition economic behavior, largely by setting constraints on the range of permissible human actions intended to organize the provisioning of material needs and wants, and by establishing channels of communication, the institutional arrangements within a region are prominent among them (Harrington & Ferguson, 2001). In particular, since, according to the endogenous growth model, long-term regional economic growth and development cannot occur in the absence of knowledge growth, the role of the research community within a region’s institutional framework is vital.

A collaborative government-business relationship is an important piece of the puzzle in a related regional institutional framework. While the exact nature of these relationships differs with circumstance from region to region and country to country, in general the prevailing pattern of interaction between government and business confirms exactly what the endogenous model would predict -- such relationships are important in shaping regional economic growth and development (Johnson, 1988; Macintyre, 1994). When government-business relations are characterized by rent-seeking behavior, patron-client relationships, or government dominance and control of business, then this sort of imbalance between government and business can seriously harm regional growth and development. This is easily observed in many developing economies (McLeod & Garnaut, 1998). Conversely, in an economy where business is weak, government can easily dominate the relationship (Macintyre, 1994). For an endogenous growth economy to work, a positive, forward-looking, and interdependent government-business relationship is needed, in order to transcend narrow government or business interests so that both parties can work with the research community to generate and utilize new knowledge in regional development.

Separate institutions of research, education, regulation and business exist in China, but lack of coordination, cooperation, and communication among them in various places produces little synergy in producing, sharing and utilizing knowledge to spur regional growth. One study found that cooperation in planning and investment among regional cities can produce efficiency gains in a regional economic development (Byrnes & Storbeck, 2000). More often than not, absence of cooperation and collaboration is the norm, and not the exception in China. Studies on industrial parks showed local governments created various special development zones without overall synergy and efficiency gains, and often those industrial parks compete with each other. For example, the high-tech zone (yuan qu), the Singapore Industrial Park (xin qu) in Suzhou, and the two industrial parks in Nanchang all perform similar functions. The only difference is that each park answers to a different local authority. There is no doubt that high-tech parks absorbing foreign technology bridge the gap and help lead to homegrown technology (Walcott, 2002), but they tend to be sporadic and have little spillover effect. They need to be integrated into the fabric of regional knowledge-based economies from within a legitimate institutional framework.

Since, according to the endogenous growth model, regional economic growth and development depends in the long run upon the advancement and utilization of knowledge, both government and business can expedite the process by entering into cooperative arrangements with the research community to achieve viable and sustainable growth. This includes, roughly speaking, universities, research institutions, think tanks, and other knowledge generating and disseminating institutions and organizations. However, studies confirm that currently there is disengagement among the three parties regarding cooperation of business enterprises, universities, and scientific research institutions (CEUSRI). The Chinese government has so far demonstrated little support for CEUSRI and the research community has yet to come out of the ivory tower, supplying economic development with the necessary brain power (Shi, 2002, pp. 371-379).

To better serve economic growth and facilitate cooperation and communication among the three major relevant parties, we propose that Chinese leadership consider forming trilateral government-business-research commissions, in which each of the three components focuses on the needs for interaction and cooperation, and fulfills such needs as necessary for long term regional economic growth. These trilateral commissions can establish an institutional framework that should be entrusted and empowered to carry out the crucial task of
knowledge generation and utilization for regional economic development. For such a commission to be effective and efficient, it is important that it has the authority to report directly to the heads of government, not only in the capacity of advising, but also in formulating policies affecting the local and regional knowledge economy.

How can such a triangular relationship be institutionalized so that the three parties can interact cooperatively and communicate effectively? In most regions and cities in China, governments have agencies that deal with business or education, but rarely have super-agencies been created and devoted to such triangular dialogue. Reforms on local government only focused on eliminating redundant agencies and reducing government employees (Chen, Chen, & Zhang, 2002, pp. 35-50). A regional inter-governmental commission consisting of top government officials and bureaucrats, business leaders, and top educators/researchers could be a good place to start. Top officials are capable of setting directions and making decisions, while bureaucrats are capable of grasping issues and new ideas and formulating them into policy recommendations. Since the results of their decisions are oriented toward the long term, selected individuals need to be development-oriented, and not to be subject to short-term political gains and considerations. They should also be able to withstand public and special interest pressures, and to resist any rent-seeking temptation. The commission should not be attached to the economic commissions (jingwei) or planning commissions (jiewei) of local governments, or to the newly created state development and reform commission. Rather, it is imperative that it remains administratively independent and is only answerable to heads of government in charge of regional economies. This arrangement would provide the commission with a most prominent position in influencing education, research, technological innovation, and regional development strategies, and in ensuring effective knowledge utilization and application.

The trilateral commission should recognize and accept that bureaucracy is an important part of the government administration, capable of policy formulation and implementation. As our aforementioned brief review of East Asian experiences show, bureaucracy needs insulation from politics so that it can formulate the best policy possible for development. At the same time, it needs autonomy in carrying out policies impartially and effectively. To build up bureaucratic competency and efficiency, it is vital that a merit-based recruitment system (rather than political hiring) is created as a starting point. Bureaucratic career advancement should be solely dependant on competency and achievement, not on political favors or any other corrupted methods. All of these may not guarantee an effective bureaucracy unless bureaucratic players are charged with some sense of importance and empowerment. They need to know not only that what they are doing can potentially make a difference in regional economic growth and development, but that they, in fact, have the power to make such a difference. Bureaucratic participation in the trilateral commission can invest them with a great sense of importance and power.

The research community consists of colleges, universities, research institutions, and various brain trusts. Apart from their normal operations, the main function of the research and education community in this triangular relationship is to facilitate government and business in churning out new ideas, testing ideas, and transforming ideas into knowledge and technology. Both government and business stand to potentially benefit from incorporating the research community into this new relationship. For instance, growth-oriented government is often at a loss as to specifically what type of businesses should be promoted, what type of new technologies should be targeted and what new industries created. While business and government can each provide some of the answers, it is the research community that is in the best position to provide the latest ideas, knowledge, and research. Moreover, businesses need fresh ideas, research results, and well-trained human resources from the research community. In today’s world, many new technologies are created in research labs and scholarly works. Industries often contract with universities to develop new research and technologies, thus better enabling businesses to concentrate on operations and market competition. This is often known as research outsourcing, and it is gaining momentum, since it is cost-effective and forward-looking. The research community plays an indispensable role in any technology-driven economy.

The research community is an important partner in this trilateral relationship, not only because it possesses intellectual resources and brain power, but more importantly because it serves as a bridge between government and business; making policy inputs, engaging research, and transferring knowledge into productivity. In knowledge economies, research communities play a key role in connecting the frontiers of science to regional
economic growth and development, and turning knowledge into new businesses. Colleges and universities are often at the center of the research community and their potentials for impacting the local economy are often not fully realized, especially in the age of new economies. Colleges and universities have invaluable human and knowledge resources that the local economy can tap into. They can impact local economies by ways of offering new ideas, knowledge, and research, spinning off new businesses, and producing education-related externalities. To enable them to play an important role in regional economic growth and development, leadership is crucial in directing the research community to interact and communicate with government and businesses. A trilateral commission, including heads of universities, research institutions, and prominent scholars, researchers, and scientists, is one potential vehicle for linking the research community to the government and businesses. Such leadership can potentially be capable of three way communications: organizing and mobilizing intellectual resources, advising the government, and partnering with businesses. The commission plays more than a coordinating role in the community; it is a role of true leadership in working closely and intelligently with government and business to map out a trajectory for local economic development.

Unlike American businesses that often involve themselves in the civic life of the local community in which they are located, the business community in China is typically rather loose and unconcerned with local well-being. It is important that a trilateral partnership not be rendered ineffective through its institutionally decentralized nature. One way to deal with this problem is to organize the business community into several umbrella associations based on the nature of the business. Throughout China, different businesses have already formed their own associations (Chen, 1997; Pearson, 1997). Industry-wide or sector-based associations offer several advantages, when it comes to dialoguing with the government. First, they often share the same concerns and problems regarding regulations, market competition, and business development. Second, associations tend to raise issues and concerns that seem to be fundamental and long-term rather than firm-specific and short term. Third, it is easier for the peak associations to represent and participate in the triad dialogue and then distribute any public good coming out of the partnership amongst the respective members, than for individual firms to represent themselves. Such umbrella associations cannot exist as "bureaucratic appendages" (Foster, 2002) and need to be led by strong, forward-looking business leaders, who assume the role of advising government officials on important business issues.

The mandate of such a trilateral commission is obviously the growth and development of regional knowledge-based economies. Among the many related issues, one of the most important has to do with the creation of competitive advantage derived from a well configured regional set of factor endowments, firm strategy, structure and rivalry, demand conditions, and technological and policy innovations (Porter, 1990). The goal is to create innovative products and services that can function as a future engine for growth and as the key part of strategic trade, aimed at bringing into the region long-term trade benefits. As East Asian studies have shown, competitive advantage enabled the tiger economies to create types of industries that eventually grew to become competitive in the global economy. A well-known example is South Korea's semiconductor industry (Mody, 1990; Yoon, 1992). Traditional comparative advantage is mainly based on factor endowments leading to differentiation of products and services, which are often lacking among regions and cities in China. Since technological innovation and policy support are necessary to create competitive advantages among business, research, and government, a trilateral commission is in a better position to coordinate, maintain, and utilize cooperation and partnership among these three parties for regional growth.

Parties in such a trilateral commission all stand to benefit. For the government's part, policy innovation is the key. Accordingly, the research community can provide ideas, knowledge, and advice to the government in defining such policy and searching for the most likely points of competitive advantage. Long-term industrial policy formulation needs to include knowledgeable input and financial incentives, as well as tax and credit support, all of which can be supported by the research community. On the part of the research community, grant support from government and businesses can help solve funding problems and sustain basic research and education. A strong voice from the research community in the commission can influence government education policy. Similarly, the research community can benefit from a close relationship with businesses in promoting training, education, and research. Knowledge application and utilization cannot be implemented without active precipitation of
businesses. Fortunately, such a relationship is symbiotic. Both businesses and the research community are concerned with technological innovation and knowledge application. The willingness of business to work closely with the government and to orient business development and investment toward such long-term goals is equally important. The research community can help the government and business with its brainpower in research and development. On the part of business, knowledge utilization and application can help solve the problem of lack of differentiation of products and services, which is a common concern amongst Chinese businesses. The creation of competitive advantage helps regional business reach critical mass. Once this point has been reached, it is then possible for one economy to become different from others, but more importantly, it deters other economies from engaging in similar businesses due to its huge size, high entry barriers, and infrastructure advantages. Once competitive advantage is created, it should be able to act as an engine of growth, and other businesses may evolve and develop around this core business. At the initial stage, government support is needed to encourage new businesses, spin-offs, and investment from other regions. Eventually, businesses should stand to compete on their own. Once the point of critical mass has been reached by business in a certain region, snowballing effects take place (cumulative or positive circular causation), attracting still more outside investment, supporting further businesses, and securing new customers.

There are a lot of things that a triadic commission, such as the one we propose here, can do in helping build up regional economies within China, primarily through knowledge generation and utilization. But the most important implication of such a commission is that it provides a new institutional framework that makes up for the existing institutions' inability to implement knowledge growth and application. It promotes pre-growth policy, builds sufficient infrastructure for business competitiveness, and knowledge infrastructure for education, basic research, technology transfer, knowledge growth and dissemination, and technological spin-offs.

**Conclusion**

Regional economic growth and development encompasses a wide range of concerns, many of which are directly relevant to public administrators. Among these are those related to the formulation and implementation of public policy for increasing the competitiveness of a region's industries.

Export-oriented theories and models present serious limitations, identifying and explaining the determinants of regional growth and development. Japan for years relied on export as an engine of growth, but eventually fell flat when her export competitiveness was hurt by a combination of rising yen and the decline of her export markets. East Asian export economies experienced financial crisis, largely triggered by the worsening of current accounts due to decline of export. Both cases shared one common problem, dependency on export. Japan is the second largest economy in the world, but falls far short of being the second largest market in the world. The lackluster domestic demand simply cannot absorb the excessive capacity of production. This is an important lesson for China when looking to sustain economic growth. China needs to cultivate her own domestic market and knowledge-based development. This is not to say that China won't be affected by changes in the international business environment; after all, the Chinese economy has been even further integrated into the global economy, since joining the World Trade Organization. But, with a large domestic market and endogenous growth driven by knowledge and technological innovation, China can expect to minimize deleterious external effects and sustain long-term economic growth.

The emergence of the endogenous growth model in the past decade has, however, led to considerable and renewed interest in unconventional economic factors behind growth, largely for two reasons. First, they rectify a widely recognized weakness in earlier (exogenous) models, specifically by making the growth and deployment of technical knowledge an explicit and independent part of the regional growth function. Second, they suggest tangible ways that government actors can act, so as to speed up regional economic growth and development, specifically by establishing the conditions under which the advancement of knowledge proceeds as expeditiously as possible. Accordingly, with respect to increases in the stock of knowledge, to the extent that China can establish and maintain an institutional environment conducive to the creation, transmission, preservation and application of new ideas, its industries will have a continuing advantage over those in other countries and regions less capable of producing their own ideas. As a consequence, those others will have no choice but to continue to depend far more upon acquiring new technical knowledge.
that originated in China.

The role of knowledge and its utilization can be enhanced by the removal of obsolete conceptual, behavioral and institutional constraints, and the creation of new institutions conducive to knowledge development and utilization. The Chinese market economy is still in an early stage, and many existing government policies and institutions that initially evolved within the context of the previous command and control type economic system still persist today. Some of the existing institutions are either insufficient in handling knowledge growth and application, or are incapable of excusing themselves from policies, programs and practices that inhibit and impede knowledge growth and deployment. This article thus proposes a new institutional framework defined as a tri lateral commission that brings government, businesses, and research communities together to act jointly as a chief adviser to governments on the issue of knowledge generation and utilization. This commission is not another regulatory agency. Nor is it a funding machine. Rather, it is a market supporting institution with the sole purpose of cultivating and maintaining the conditions under which new knowledge can be created and deployed through education, training, consulting, research, communication, and policy development, and through which such knowledge can be integrated into regional economic development programs and policies. Such a commission is a forward-looking conception, designed to bear the full brunt of new knowledge-based economic waves and to help regional economies create their own competitive advantages and economic niches in a globally competitive economy.

Perhaps the most basic public policy implications of the endogenous growth model and the proposed institutional framework have to do with the conditions generally conducive to the evolution and growth of knowledge in China. In this respect, recent developments in the study of effective scientific inquiry, some of which are documented in this paper, indicate that public policies designed to help remove behavioral, conceptual and institutional constraints on inquiry, and on communication of the products of inquiry, are most likely to enhance the rate of knowledge growth. This is because the rate of knowledge growth in a region at any given time is equal to the variance of ideas within the region at that time. Institutional arrangements that protect the mechanisms through which variation in ideas is created, such as subsidies that have a positive effect on a region’s intellectual capital accumulation, or protection of individual researchers from institutional censorship or discipline on account of their ideas, thus tend to expedite regional economic growth and development.

Endnotes

1 An earlier draft of this paper was presented at the 1st Sino-US International Conference on Public Administration in Beijing, China, June 16-17, 2002. The authors would like to thank the anonymous reviewers for their constructive comments and suggestions.

2 For instance, some reference to individuals is a necessary condition for any full explanation of social phenomena (Kincaid, 1995). Yet export theories and models tend to disregard the fact that the factors which direct a region’s market and the determination of its prices are inextricably rooted in human decision processes. In these processes individuals with distinct and identifiable personalities, each at times functioning as a producer and at times as a consumer, through purposive actions, make conscious and deliberate choices to aim for particular ends, rather than functioning as automata that, in essence, actuate the “mechanisms” of the regional market.

3 Assuming a standard constant returns to scale form of a Cobb-Douglas production function, the endogenous growth model may be formally expressed as \( Y = K^\alpha(L)^{1-\alpha} \) where \( Y \) is output, \( K \) is the stock of capital, \( L \) is the labor force, \( A \) is technical knowledge, and \( \alpha \) is a “constant returns to scale” parameter. Note that in this formulation technical knowledge is an explicit determinant of output, and is no longer entered as the mean effect on output of all the excluded variables.

4 Theoretically, though with some risk of oversimplification, one may categorize the causes of the rates of growth of capital, labor, and technological knowledge increase within a region into a couple of categories. First, the growth of capital is partially a consequence of migration of the factors of production and partially of investment in capital stocks by the region’s residents. Accordingly, capital tends to migrate into the region whenever returns on capital investments are relatively high, and to migrate out whenever they are relatively low. Returns on capital investments tend to be relatively high when wages are relatively low. Thus, there is reason to think that high rates of capital growth will
 occur in relatively low wage China. Second, the growth of the stock of labor is partially a consequence of endogenous population growth and partially of immigration in response to relatively high wages within a region. Third, improvements in technical knowledge are a consequence of endogenous investment in research and development and education, together with importing it from other regions.

On this account, there is reason to think that capital and labor will migrate in opposite directions. To the extent that for whatever reason within a given set of regions capital is more mobile than labor, for instance because the capital is embodied in high technology, it will likely tend to migrate between regions at a higher speed than will labor, in which case capital will tend to move into relatively low wage regions faster than labor will move out. Thus, low wage regions will tend to experience higher rates of growth. The opposite will tend to occur if labor is more mobile than capital. However, absent estimates of the relative speed at which capital and labor are moving, it is not possible to predict empirically, for any given region, whether these factor movements will lead to a net increase or decrease in regional output.


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The Decoupling of Organizations: Organizational Operation under the Non-coordinating Constraint: A Framework for Studying the Relationship Between China’s Charity Organizations and the Government

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Since late 1990s, many charity organizations have emerged in China. In January 1993, the first local charity organization in the history of the People’s Republic of China, Jilin Charity Federation, was founded. During the eight years from 1993 to 2002, 172 more charity organizations would emerge. From not a single charity organization in the whole country for over forty four years (1949-1993) to an average of more than five per province, China’s charity organizations seem to be flourishing. Meanwhile, these charity organizations all have amazing similarities in their origin and operation: most of them directly rely on the government’s departments of civil affairs at different levels. Some charity organizations have only just been differentiated from civil administration. Most of them are actually “one department, two titles.” The principals and major members of the charity

Abstract: Since the late 1990s, a large number of charity organizations have emerged in China, though there is obvious disparity between their organizational forms and their operations. Although these charity organizations have the form of nonprofit organizations (NPOs), they are in fact part of the government system. This paper aims to develop a theoretical framework, namely “organizational operation under incoordinate constraint,” to illustrate the operating logic of these charity organizations. The conflict between the government’s demand for attaining resources and the need for social control is the institutional origin of the decoupling of charity organizations’ form and operation. The decoupling of the organizational form and operation is a common phenomenon, and this theoretical framework could be applied to analyze similar scenarios.
organizations come directly from the government, and they are operating based on a governmental logic.

Robert Merton reminded us that researchers should pay attention to those social facts that seem to happen unexpectedly and out of order, but concern society as a whole. For, it is these unusual phenomena that present the possible starting point for new theories (Merton, 1965). I think that the emergence and proliferation of charity organizations in China, in as short as eight years, is an uncommon phenomenon worthy of close attention for the following reasons.

Firstly, for more than forty years since the founding of the People’s Republic of China, charity activities had been regarded by the Communist Party as a tool of imperialism and Kuomintang (the National Party). They were impugned as hypocritical and fraudulent. However, in the last ten years, the Chinese government has redefined charity projects as a sublime enterprise, praising and supporting them. There is a sharp contrast between these views of charity organizations as hypocritical and fraudulent and the noble embodiment of the moral civilization of socialism. This prompts us to consider the reason for this transition.

Secondly, although publicly these charity organizations declare themselves as civil NPOs, they are actually established by departments of civil affairs, with the principals and major members coming directly from the government. Furthermore, these charity organizations operate on a logic very similar to that of the government, resulting in the obvious separation of the organizational form from actual operation. This is quite different from both the characteristics of civilian organizations that we’ve come to expect, and the internationally accepted belief that NPOs should be independent from the government and self-administered (Salamon, 1998). This discrepancy between form and function deserves greater scrutiny.

Thirdly, just as Merton said, this phenomenon concerns society as a whole. The emergence of charity organizations is an institutional phenomenon, not an individual one, with the characteristics of institutionalized production.

However, Chinese academia has not paid adequate attention to these extraordinary social facts, dedicating very little research to charity organizations. In my view, this unusual phenomenon contains potential theoretical significance, and the prevailing popular NPO theories cannot account for it satisfactorily. Thus, it is very important to develop a theory that can explain the emergence of these charity organizations, as well as the mechanism of separation of their organizational form and operation. This paper aims to remedy the vacancy. Specifically, this paper seeks to use a theoretical framework to explain the following problems:

(1) Why have there been so many charity organizations established by the government? What are the mechanisms and institutional basis for this phenomenon?

(2) Formally, China’s charity organizations declare themselves civilian charity organizations, but are actually operated by the government. This illustrates the obvious separation of their form and their actual operating logic. What is the mechanism behind this non-coordination?

Review

The prevailing NPO theories have examined the appearance and function of NPOs (Weisbrod, 1974; Hansmann, 1980; Salamon, 1981). The general character of these theories is that they all explore the differences between government, the market and NPOs, by assuming that the NPO form is consistent with its operation, thus demonstrating the necessity of NPOs.

Weisbrod (1974) thinks that the nonprofit sector specializes in the provision of collective goods, starting where the government and the market are stopped by limitations in their efforts to provide public goods. Differences in income, wealth, religion, ethnic background, education level, and other characteristics, directly lead to the heterogeneity in the demands of those served by NPOs. However, the public services that the government supplies are determined by a political voting process. In the model of simple majority, the demands of the median voters determine the outcome, leaving behind a large number of unsatisfied voters. This provides the functional demand for NPOs as the provider of collective goods beyond the government. The quantity of public goods provided by the nonprofit sector is determined by the degree that government could satisfy the diversified demands of voters.

Hansmann (1980) analyses the functional demand for NPOs from the perspective of the limitations of profit organizations. He thinks that
only when certain conditions are met, profit-seeking firms will supply goods and services at a quantity and price that represent maximum social efficiency. But in some instances, with institutions such as redistributive philanthropies, there is a separation between the purchaser and the recipient of the service, and there is an obvious information asymmetry about the quality of products and services between consumers and producers. The consumers are in a poor position to judge the quality of commodity or service that the producers promised to provide, which often leads to their inability to reach an optimal contract. Even when the contract has been reached, because of the information asymmetry, it is still difficult to prevent the consumer from becoming the victim of the producer’s opportunism, which Hansmann refers to as “contract failure.” If these services or commodities were provided by NPOs, such contract failure would be less likely to occur because of the non-distribution constraint. This means that an NPO is barred from distributing its net earnings to individuals who exercise control over it, such as members, managers, directors, or trustees. In Hansmann’s opinion, the non-distribution constraint is the most important characteristic distinguishing an NPO from profit organizations.

Salamon (1981) examines the comparative advantages and disadvantages of the government and NPOs, and then demonstrates the necessity to maintain a partnership between them. From his point of view, the limitations of nonprofit sector are: (1) Philanthropic Insufficiency. Because of the “free rider” problem inherent in the production of collective goods, as well as financial uncertainty due to economic up-and-downs, the philanthropic supply is insufficient; (2) Philanthropic Particularism. The objectives of charity organizations are usually special groups; (3) Philanthropic Paternalism. So long as private charity is the only support for the non-profit sector, those in control of the charity resources can determine what the organization does and whom it serves, without considering the actual demands of the objectives; (4) Philanthropic Amateurism. For financial reasons, NPOs often cannot provide wages adequate to attract professional personnel. Much of the work is thus done by well-meaning amateurs. Significantly, NPO’s weaknesses correspond well with the government’s strengths, and vice versa. The government is in a position to generate enough resources to develop welfare projects by legislation, to decide the use of capital, as well as the categories of services on the basis of a democratic political process, and to prevent the abuse of privilege and paternalism in the provision of services by a distribution of power among the public. However, the government usually cannot respond immediately to social demands because of its bureaucracy. NPOs are in a better position to provide personal services according to the needs of their clients, to operate on a smaller scale, and to permit competition among service providers. Due to the complementarity of the government and NPOs, as well as the government’s consideration of transaction cost in its service provision, it is essential for the government and the nonprofit sector to cooperate.

In Weisbord’s theory, the consistency of an NPO’s form and operation is accepted as a self-evident presupposition, failing to account for the phenomenon in China’s charity organizations. Meanwhile, “government failure,” in his theory, refers to the fact that in the democratic process government decision generally represents only the preference of the median voters, which cannot satisfy the other voters’ demands. This too, obviously, differs from the political environment in China. Thus, his theory is not robust enough to account for the situation I am exploring here.

Salamon’s theory is also unable to explain the emergence and operation of charity organizations in China.

Firstly, as for the income resources, the Chinese government does not provide financial support to NPOs and then consign public services to them. No contract of principal-agency exists between the government and NPOs. NPOs’ capital derives from civil society, not from the government.

Secondly, in China the government does not act as the “provider of finance and director,” as Salamon describes it in the United States. The government has the power to appoint key personnel and to use a significant amount of the NPOs’ funds, thus infiltrating itself into charity organizations. Due to this over-intervention of the government, the civilian quality of charity organizations is then altered.

Thirdly, China’s NPOs lack the organizational strengths that Salamon describes. My investigation illustrates that China’s charity organizations are plagued not only by philanthropic insufficiency, philanthropic amateurism, etc., but even function with maladies similar to, or even worse than, those
goals and policy that constitute a rational theory of how activities are to be combined. However, the blueprint is not always put into practice. An organization in an institutionalized environment often faces the following problem: because of the pressure posed by the myth of institutions, an organization has to design some formal structures accordant with the institutional environment, although these structures are not related to, and later may even conflict with, the technical efficiency of the organization. To solve this puzzle, a rationalized organization adopts the method of "decoupling" to separate its formal structure from its actual operation. But as a result, some formal structures exist only for ceremonial purposes, while the actual activities still follow the demands of technical efficiency. This strategy not only preserves the legitimacy of an organization in the institutional environment, but also allows it to maintain a certain level of efficiency.

The inconsistency described by Meyer and Rowan, though instructive, is far from all encompassing. The case of Chinese charities requires a new theoretical framework. I use the term "decoupling" to describe the separation of an organization's form and its actual operation. It is assumed that there are three types of organizations (A, B, and C) and that one particular organization should undoubtedly be classified as A. However, if its manner of operation resembles that of B, then we can say that this organization is decoupled.

The charity organizations in China are obviously decoupled. Formally, these charity organizations have the forms of civilian NPOs, and maintain their status as NPOs in their charters and in various public forums. But they are, in fact, the product of governmental civil departments, and most of them actually operate within the same sector as their department, distinguished in name alone. The principals and key members come directly from the government. What's more, important decisions and operating processes are brought into the government's operating system. Judged by their essential operations, these charity organizations are better classified as part of the government system than non-governmental and voluntary NPOs. There is a clear discrepancy between the forms and operating logic of Chinese charity organizations.

4. Noncoordinating Constraint

Meyer and Rowan (1977) do not specifically discuss noncoordination in an institutional environment, but they do imply the existence of a diversity of environments. From their point of view, the rationalized institutional environment is differentiated and pluralistic, and it is manifested in many forms and appearances. In their discussion, public opinion, education, institution, law, courts, belief, ideology, technology, the structure of regulation, encouragement, certification, the authorization and requirement of the government are important elements in the institutional environment. Obviously, inconsistent institutional myths prevail in society, and the requirements of an organization posed by different rules may conflict or compete with each other. As a result, when organizations in search of external support and stability incorporate incompatible structural elements, they face structural inconsistency, which is the source of uncoordinated constraint. The degree of noncoordination of the institutional environment is closely related to the uncertainty that an organization faces—the less coordination, the higher the uncertainty (Scott, 1992, pp. 135). In response to high uncertainty, rational organizations will adopt all possible operating methods to create better survival conditions.

The Logic of Decoupling an Organization

Why does this process of decoupling occur? Since the operations of some organizations are obviously inconsistent with their organizational form, and in fact similar to that of another type of organization, why doesn't the organization adopt an organizational form consistent with its operation and achieve a correspondence between form and content? The answer to this question concerns the process of the organizational decoupling.

1. Organizational Decoupling and the Acquisition of Resources

The most important factor in the pursuit of resource is scarcity. As population ecology reminds us, organizations must compete with each other for scarce resources. It has been observed that a large number of organizations eventually die, due to the lack of resources in a given environment that are necessary for survival (Hannan & Freeman, 1977, 1981; Aldrich, 1979). The resource dependence theory emphasizes the dependence of organizations
prescriptions will not be regarded as organizational form in this study. It is often embodied in the charter of an organization. Secondly, the contents of the organizational form must be publicly declared, so, any secret, internally transmitted content does not belong to organizational form in this study. Thirdly, organizational form is the prescriptions about an organization’s tenet, quality, manner of operation, and normative order, not the other things. Whether an organization, in operation, obeys the tenet, quality and rules in the charter is not relevant to its organizational form.

Organizational form has the function of a sign or symbol. As a kind of classified knowledge, it is related to what Schutz (1980) refers to as “stocks of knowledge” of social members. It is also a part of what Polanyi calls “ tacit knowledge” (Polanyi, 1967). The understanding of social members of common organizations in daily life, which is taken for granted by actors, is acquired from the teachings and behaviors of parents, friends and teachers, etc. By using stocks of knowledge, an actor can judge an organization’s quality and tenet directly by the name of it. For example, when seeing the title of “charity federation,” individuals will know that this is a charity organization, and it is dedicated to public service, mainly relying on a stream of resources from voluntary donations.

Organizational form has the characteristic of specificity. I use the term “Form Specificity” to describe the degree that some organizational form could be used for different purposes and by different users. Some organizational forms have high specificity, only performing actions that correspond to their forms. These actions must be recognized by resource providers, consumers, administrative agencies, and the other organizations producing similar products and services. Otherwise, they will be rejected by theses agents, and their legitimacy will be doubted. Organizational form specificity not only means that certain organizational forms can only be used for a given purpose, but also that some organizational forms can only be used by specific actors.

Charity organizations have high form specificity. Since charity resources depend on voluntary donations of time and money, charity organizations should be classified in the category of the nonprofit sector according to the general standards accepted by society. Thus, charity resources are not suitable for use in the form of government, or the legitimacy of government actions will be affected. Furthermore, they are likely to be rejected by the participants in the organizational activities.

2. Organizational Operation

Organizational operation refers to the actual activities and the operating manner of an organization under certain circumstances. The purpose of this concept is to distinguish an organization’s form from its actual operation, which is analogous to the distinction between institution and institutional practice by North (1994b). The methodological significance of introducing the concept of organizational operation is to emphasize the organization as an active agent when confronting the constraints of the institutional environment. In some sense, this concept has a similar meaning to Child’s organizational “strategy choice” (Child, 1972). Organizational operation reflects the actor’s perception, judgment and evaluation of the existing institutional environment, as well as the rational calculation to the cost and benefit of different possible actions.

Organizational operation is closely related to organizational form. Generally, organizational form stipulates the overall framework of organizational operation. This stipulation might be rigid and rigorous, or it can be flexible and loose. In operation, organizations will possibly go beyond the content prescribed by their organizational form in complicated manners. The differences between an organization’s form and its operation depend on the degree of legitimacy of the organizational form and the institutional environment’s ability to monitor.

3. Organizational Decoupling

An implicit precondition to the discussion of the relationship between organizational form and efficiency, applied by the economists studying organizations, is that organizational form is necessarily coincident with its operation (Williamson, 1985, 1991). Yet, new institutionalism frequently observed just the opposite.

Meyer and Rowan (1977) assert that a sharp distinction should be made between the formal structure of an organization and its actual daily activities. Formal structure is a blueprint for activities, including the content of an organization-a listing of its offices, departments, positions, and programs. Theses elements are linked by explicit
illustrating the origins of institutional myths in modern society. "Many myths also have official legitimacy based on legal mandates. Societies that,
through nation building and state formation, have developed rational-legal orders are especially prone
to give collective (legal) authority to institutions which legitimate particular organizational
structures. The rise of centralized states and integrated nations means that organized agents of
society assume jurisdiction over large numbers of activity domains. Legislative and judicial
authorities create and interpret legal mandates; administrative agencies—such as state and federal
governments, port authorities, and school districts—establish rules of practice; and licenses
and credentials become necessary in order to practice occupations. The stronger the rational-
legal order, the greater the extent to which rationalized rule and procedures and personnel
become institutional requirements" (Meyer & Rowan, 1977, pp. 347).

The essential quality of the state is that it is
the dominant corporation and monopolizes legal
violence and coercive agencies (Weber, 1997). As
the only agent legally monopolizing coercion, the
state has the power to determine which institutions
can exist, although it cannot decide how an
institution works (North, 1994a; Lin Yifu, 1990).
Due to its monopoly of legal violence, the state can
institutionally control other organizations' internal
management and operation, forcing these
organizations to operate according to the interests
of the state. This, of course, results in these
organizations' deviation from their original
operating model prescribed by their organizational
forms.

The most crucial cause in the decoupling of
charity organizations is excessive state
intervention. There is a tension between the
government's demand for the acquisition of
resources and the need for social control. On the
one hand, the state relies on these charity
organizations to attain charity resources to help it
overcome threats to its survival. On the other hand,
the state is concerned that organizations of a purely
civilian character will be difficult to control.
Without a constitutional constraint, the state legally
intervenes in the operations of charity
organizations by establishing rules designed around
its own interests, which brings about the separation
of form and operation in the charity organizations.
In China, the most important manner in which the
state can intervene in a charity organization's
operation is to directly appoint its leading
administrators. At the same time, by putting into
effect the "Regulations of Social Organizations' Registration and Management," the government
has established a double, hierarchical management
system, which specifies that the management of
social organizations is to be shared by its own
administrative offices and its superior professional
government departments. According to this
regulation, at the moment, the administration of all
Chinese social organizations is to be performed by
the Ministry of Civil Affairs of the People's
Republic of China, and local civil affairs offices at
various levels above the County. The superior
professional government department refers to the
government agency that directly supervises and
manages the organization's daily activities. (Wu &
Chen, 1996). With these rules, the government
incorporates the important activities of charity
organizations into the scope of government
administration.

Several Propositions Concerning the
Relationship between China's Charity
Organizations and the Government

So far I have established a theoretical framework to
analyze the inconsistency between organizational
form and operation. This framework is abstract and
general. Specifically, it is necessary to establish a
set of propositions to explain the specifics of the
emergence and operation of China's charity
organizations.

Proposition 1 (the "coercion" proposition):
Government is the most important organization in
society. The crucial difference between the
government and other organizations is that the
government monopolizes legal power and legally
employs coercion. So, the government can
unilaterally determine which institutions can exist.
In China, the coercion of the government is
especially obvious.

Proposition 2 (the "legitimacy" proposition):
The government's behavior and method of
administration is restricted by its legitimacy, and
the effectiveness of its administration depends on
the probability of obedience and loyalty of
members of society. Implicit in that are the
following two points: (1) If it is unable to resolve
social problems and appease public concerns, the
government will appear administratively
incompetent, and its legitimacy will be doubted by
the public. As a rational actor, the government will adopt all possible methods to acquire new resources and thus eliminate uncertainty in its rule; (2) the government’s method of attaining resources faces the legitimacy constraint posed by the acceptance of social members.

Proposition 3 (the specificity proposition): Society is divided into different sectors, and each sector has its own set of tools. The government’s most significant tool is the law, the power of coercion, especially in domestic affairs. The key tool in the commercial sector is market exchange. The critical tool for the nonprofit sector is the tradition of voluntarism, depending extensively on voluntary contributions of time and money.

Taxes and government bonds are the government’s two major financial sources. Under certain conditions, the government’s ability to collect taxes is inverse in proportion to the degree of resistance from social members. When the resources attained by current methods are not enough to ensure the effectiveness of government action, the government will look for new methods of acquiring resources.

Charity resources, generally controlled by the nonprofit sector, are not suitable for direct government utilization. In countries where there is no, or only a very small, nonprofit sector, large charity resources are usually highly dispersed. In countries that have a large nonprofit sector, due to the legally specified boundary between the government and NPOs, the government would have to incorporate the NPOs into its own administration if it wanted to utilize their resources. In a country with a powerful, dominating government and almost no existing nonprofit sector, the government will very possibly create nonprofit organizations as a new form of governmental operation, meanwhile differentiating them from itself, to maintain their legitimate access to nonprofit resources.

Propositions 1-3 could be used to explain the emergence of charity organizations in China.

Proposition 4 (the “conflict” proposition): There is an enduring conflict between the government’s demand for the acquisition of resources and the need for social control; the degree of control that the government exercises over charity organizations is a dynamic result of these two conflicting needs. Generally, the need for social control is greater than that for the acquisition of resources in the government’s institutional priorities. Thus, the government will only let charity organizations help it acquire resources under the highest degree of control. However, when the level of control reaches the point where it severely hampers organizations’ ability to acquire social resources, the need for resources will become a more prominent institutional priority, and the government will initiate an appropriate alleviation of its constraints.

Proposition 5 (the “control” proposition): The level of control over charity organizations is a function of the actual right to actions of the charity organizations, the right to actions of the government, and the degree of political opposition. Generally speaking, the greater the right charity organizations actually have to certain actions, the less right the government has. Also, the stronger charity organizations’ opposition to government intervention, the weaker the weaker the degree of control.

Proposition 6 (the “coordination” proposition): The government and the differentiated charities exist in a principal-agent relationship. The more the government transfers its discretion to charity organizations, the more the charity organizations’ interests and purposes will diverge from those of the government, the more difficult it will be for the government to implement its projects, and the more improbable it will be for these projects to achieve their original goals. To maintain a conformity of interests with the charity organizations, the government will try its best to expand its power to intervene in the operations of the charity organizations. Due to the differences in the operation logic between these two, the results of such an intervention is the deviation of the charity organizations’ forms and operations.

Propositions 4-6 can be used to explain why charity organizations are decoupled.

Proposition 7 (the “dialectics” proposition): Organizational decoupling does not mean that the government can completely control the charity organizations’ operations. Charity organizations have some agency for the following reasons: (1) Government partly relies on the resources attained by charity organizations, and the government’s dependence on charity organizations, in a sense, alleviates the charity organizations’ dependence on the government. (2) When a charity organization’s ability to acquire resources is severely compromised due to excessive governmental intervention, it is likely the government will authorize some agency and independence for the charity. They are useful only insofar as they can acquire resources. (3) Those in leadership positions
in the charity organizations, usually recently retired high-ranking government officials, are often driven by a sense of achievement, self-respect and independence, as much as by obedience and loyalty. They will possibly use the political resources they have accumulated in their past to the advantage of charity organizations when negotiating with the government. (4) It is impossible for the government to monitor all activities of charity organizations, due to the cost of monitoring. Sometimes the cost is so expensive that the monitoring mechanism becomes an empty form. As opposed to the government, the charity organizations have complete information about themselves, so it is possible for them to exercise agency through keeping information secret. The agency of charity organizations is not contradictory to the decoupling of charity organizations. The latter is the prerequisite for charity organizations to break though the barrier posed by the government and gain agency.

Conclusion

Based on empirical observations, this paper develops a theoretical framework to illustrate the possible inconsistency between an organization’s form and its operation generally, and the mechanism for emergence of charity organizations in China specifically. I have employed the concept “organizational decoupling” to describe the phenomenon of an organization’s form contrasting with its actual operation. I then clarified the logic of organizational decoupling. Decoupling is a survival strategy for organizations confronted with pressure posed by the institutional environment, and it is the result of balance seeking in an incoordinate institutional environment. The administrative crisis in government caused by turbulent environmental changes, has led to the emergence of China’s charity organizations. China’s charity organizations are differentiated from the government but not outside the political system. Charity organizations have emerged because direct utilization of charity resources by the government is restrained by legitimacy expectations posed by the institutional environment. The decoupling of charity organizations indicates the conflict between the demand for the acquisition of resources and the need for social control.

The separation of an organization’s form and operation is an important phenomenon in the organizational field, and it is an area of great potential for new theoretical development. A robust theorization of this phenomenon requires further efforts.

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References


The Feasibility Study of Government Performance Management in China

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Efficiency is always one of the important elements of administration. At the end of the 19th century, when Wilson established the new field of the science of administration, he declared that one of its objectives was to make clear, "[h]ow the governments can fulfill their duties with the efficiency as high as possible and at the cost of money or human resources as low as possible" (Ding, 1999, pp. 21). In the 1980s, in order to solve such prevalent problems as a stagnated economy, financial crises and diminished public satisfaction with government, western countries promoted an administrative reform of "reinventing government—to run government as enterprises." Through this reform of government with an entrepreneurial spirit, the major trend in business management, performance management, was introduced into government management, and replaced the traditional idea of government efficiency (Mark, 2001, pp. 43-46). Government performance management in Britain, USA, New Zealand, etc. has embodied the spirit of efficiency and quality, regarding customers as foremost and striving for perfection. These are qualities that business had always pursued in management. This resulted in a series of notable achievements, and so, to set up a high performance government has become a common understanding of the governments of many countries (Irene, 2002, pp. 85-91).

Considering the successful experiences of western countries' government reform, China, now in a period of transition, should also implement performance management in the government, while perfecting the socialist market economy system. At present, our government shoulders strenuous reform tasks, including re-defining government functions, standardizing government behaviors, simplifying public institutions and personnel, as well as increasing the openness of government proceedings and enlarging channels for the public to participate in politics, to meet the requirements for the construction of democratic politics. Implementing government performance management will be the most efficient way to realize these reforms. Generally speaking, performance is the combination of efficiency and result. Performance management pays more attention people's subjective initiative (Chen, 2002, pp. 9); therefore, it's a more scientific management method. Since government differs from enterprise, it can't fully copy the performance management of businesses. The difficulties of government performance management focus on the value factors that are hard to calculate, and the multiple appraisal indexes brought about by the extensive government management targets. Also, as opposed to western countries, China is in a period of transition, so we will certainly run into specific difficulties with stagnant conceptions of the civil servant and an imperfect market mechanism. This essay will attempt to analyze the implications of government performance management for China and the many obstacles our country will face in implementing this method, given the present administrative environment, knowing various kinds of favorable motive factors, and making arrangements for establishing the government performance management system.

Abstract: Government performance management is a scientific management method that combines process management with outcome management, and it is focused primarily on civil servants. The difficulties of government performance management derive from the unique status and interests of government, distinct from those of business: government is nonprofit, in most cases has a monopoly, and is concerned with public welfare. Other problems in government performance management stem from the existence of the peculiar "pseudo-adaptation," the lack of a self-control drive and that relentless pursuit of maximized efficiency of administrative organization, resulting in what is known as "state evil." However, with the requirements of our new status in the WTO to deepen economic system reforms, reverse "financial deficit" and combat corruption in the Party and the State. China will surely institute a multi-level open performance management method. Based on the successful reform
Analysis of Government Performance Management

Performance management has been applied to manpower resource management in business since the 1920s. Since the 1970s, it has been applied to larger institutions, and its management targets have expanded to three levels, organizations, groups, and staff. Successful applications of performance management in a number of enterprises made government recognize the necessity to revamp. In the 1980s, in the movement towards "Reinventing Government" in western countries (Osborne, 1956, pp. 5), performance management was introduced into the field of government management. However, government is not the same as business; they are different in organizational nature, management purposes, operational strategies and appraisal forms and standards. So, on one hand, the general practice of business performance management will differ from that of government performance management; on the other hand, government performance management will obviously differ from traditional government management in China.

Performance is the combination of efficiency and result, and performance management is a management method that combines course management and result management. "Government performance means the result and efficiency in its management activities. It is the managerial ability that the government possessed when exercising its function and realizing its will" (Wang, 2003, pp. 27). That is to say, performance management includes the management of efficiency and result. Efficiency means the ratio of "input" to "output." Result, which refers to the result and value of work, includes economic result and social result.

Performance is distinct from productivity, so it is not scientifically sound to only pursue productivity in government management. Productivity in the management domain, generally called production efficiency, which mainly means the input-output ratio, is the quantified result of the material achievement. However, efficiency in government is an abbreviation for administrative efficiency, which refers to the ratio of administrative input to administrative result. Neither administrative input nor administrative result is purely material. Regarding administrative input alone, it not only includes manpower, money and material, but also energy, time expended by administrative personnel and various kinds of interpersonal relationships, etc. These cannot be completely calculated. As for administrative result, although it is obviously impractical to ignore value, it is also impossible to calculate. However, this does not mean that we cannot use the concept of efficiency in government management. In fact, where it is possible to derive the necessary calculations, efficiency is an applicable concept, and elsewhere we can use the concept of "result."

Performance management is different from simple "process management." In government management, "Process Management" pays attention to the working process. Its typical appraisal takes the form of, "To do or not to do is a question of one's attitude, while doing well or not is a question of one's competence." The former is a political issue, so it should be seriously treated; while the latter is an issue of competence, so it can be tolerantly treated. The typical thought of the civil servants in "process management" is the self-evaluation criterion that, "working laboriously all the year round, they should be praised for their diligence even if they make no contributions." Such a management method, in fact, is the disguised continuity of the management of the "Politics First" era. Before the reform, the primary standard by which to appraise the "leading group" and leaders was by political standards, rather than professional or competence standards. As a result, it led to low competence and efficiency in government management. The result of simple "process management" and the working psychology it instills in civil servants are definitely incompatible with a market economic system. In a period of planned economy, there is a weak concept, if any, of cost in social economic behavior, so the government and its civil servants have no conception of cost yet. The prerequisite to building a market economy is that responsible persons in the market must all be "rational economic persons," whose instincts are to pursue the maximization of their interests; the government and its civil servants are no exceptions. Building a high-efficiency government, not an onerous government, is the taxpayers' demand, as well as the demand of the market economy.

Performance management is also different from simple "achievement management." "Achievement management" is concerned with result, and its typical appraisal method consists of equating the result of a given activity with its rationality and validity. Achievement management has essentially invalidated itself through those seemingly grand "achievement projects," that in the end waste manpower and money or are even harmful. Simple "achievement management" is not what the market economy system needs. What it needs is a government that renders service and security in its normal operations, but not one in which people act according to personal will or higher authorities' taste. In China, the fundamental reason why we cannot simply rate government performance on "achievements" is that this one-sided appraisal standard isn't fit for our market economy.
system. At present, the standard by which to appraise the “achievement” of government, or its civil servants, is only through economic indexes, which usually have deep brands of planned economy. Such “achievement management” is often the important systematic factor that leads to the phenomenon wherein the civil servants are occupied with short-term affairs. In addition, there’s only one means of appraisal from top to bottom to appraise “achievement,” which directly leads to formalism and cheating. The reason why the phenomenon of “leaders producing figures and figures producing leaders” still exists, despite repeated prohibition, lies in the drawbacks of this management method.

The focal point of performance management is the management of civil servants. The targets of performance management include three levels: the government, its functional sectors and civil servants, in which the civil servants, themselves, are the basic material. If the civil servants’ working enthusiasm and initiative is excited, it will not be hard to realize the performance goal of the whole government. The core of performance management is “to regard humans as fundamental.” That is to say, to arouse the enthusiasm of civil servants and emphasize the personal development of each individual civil servant. The management goals and planning formulated in practice need to be based on realizing the goals of organizations, as well as on the personal values and the career planning of each civil servant. Impelling civil servants to fully participate in the management process of the organizations, realizing effective coordination between organizations and their civil servants, and designing scientific examination indexes are all goals of performance management.

In a word, performance management is different from the former management methods. It refers to the comprehensive management of objectives, working ability, attitude, performance, and planning. Therefore, it’s a more positive initiative, overall, as well as a scientific management method.

Analysis of the Main Obstacles in Implementing Government Performance Management in China

As proven by the reforms of western European countries, government performance management is an effective management method for alleviating financial pressure, responding to the demands of democracy, and improving the government’s sense of service. In 1979, Britain implemented the “Rayner Scrutiny Programme” in the public sector, out of which grew “The Citizen’s Charter” movement in 1991. A significant part of this movement was the establishment of the civil servants’ performance appraisal system, which moved from simply improving internal management efficiency to improving the public service efficiency of the government in general (Tong, 2001, pp. 75-77). If the British reforms were a successful application of performance management in government management, then “The National Performance Appraisal Committee” set up in the USA in 1993 was nothing less than a drastic “business-like” governmental overhaul. In less than 3 years, the Clinton administration simplified the roles of 240,000 federal civil servants, deleting 16,000 pages of regulation and simplifying another 31,000 pages of regulation. It’s estimated that such federal administrative simplification can save taxpayers 28 billion dollars annually (Wang, 2003, pp. 21-23). We can draw on the experiences of government reform in western countries. However, China is a developing socialist country, and this basic national condition means that implementing performance management in our government will entail remarkable difficulty in both theory and practice.

The first difficulty comes from the marked distinction between business and government. The administrative behavior of government is characterized by government’s unique nature as nonprofit, monopolistic and concerned with public welfare. Thus, there exist crucial differences between government performance management and enterprise performance management.

As for the assessment of value, business can unquestioningly put profit and efficiency first, while the government cannot do so. The government is a nonprofit institution; the unrelenting pursuit of efficiency can easily lead to such side effects as excessive centralization, roughness in administrative command and working styles, the over-generalized application of a single criterion to all occasions, and cheating. Besides, we should never lose sight of the inherent tension between “efficiency” and “equality” (Ma, 2001, pp. 18-20). The government must take both into account. However, in reality, the two are not irreconcilable. What’s more, “efficiency” is completely different from “equality” in nature. The former is quantifiable, while the latter is not.

There are a number of elements that cannot be compared between administrative cost and the production costs in business (Li, 2002, pp. 58-60). For instance, it’s believed by all that “Science and technology are the first productivity” (Ding, 1993, pp. 274). In business production, technological cost plays an important role. In some production divisions, the scientific cost and manpower cost are inversely proportional and can even substitute for one another,
while technology and productivity are directly proportional. The more you invest in technology, the higher the productivity. However, science and technology do not function so directly and apparently in administrative affairs. It is impossible to gauge to what extent the enhancement of administrative efficiency relies on the quality of office equipment.

Moreover, the content of science and technology in office equipment and administrative efficiency are not necessarily directly proportional (Zuo, 2001, pp. 50). It's futile to provide advanced equipment for the government where institutions are unreasonably set: the functions of departments are blurred; unnecessary positions exist; administrative procedures are complicated; and there are innumerable piles of files and conferences because these institutions, members, procedures and files are themselves excessively costly.

The monopoly of administrative activity leaves the government feeling little pressure from competition, so it doesn't have the motivation to pursue lower costs and higher efficiency (Dennis, 1999, pp. 409). It is fierce competition that drives businesses to lower costs and enhance efficiency. Even if an enterprise is a monopolistic one, its degree of monopoly is far lower than that of the government. The government provides both compulsory public services, such as public security, fire fighting and market supervision, as well as long-term and expensive investment items, such as traffic routes, water and electricity equipment, telecommunication, public pipes, etc. Due to this monopoly, and without external competitive pressure, the government has no internal motive to reduce costs and improve the quality of services. Furthermore, the criterion and method to appraise governmental behavior is not easily determined.

Secondly, the peculiar nature of administrative organizations raises an added difficulty to the implementation of government performance management. The peculiar "pseudo-adaptation" of administrations, the shortage of self-discipline in administrative organization and their instinct for pursuing maximum utility are, to a great extent, forms of "state evil," and so always exist, preventing us from implementing performance management in the government.

The so-called "Parkinson Law," a principle that describes the self-expansion of administrative activities, implies another major obstruction to the implementation of government performance management. Conceived by the British administrative scholar, Parkinson thought that, as a rule, government officials will always increase their own subordinates, produce new positions and increase workload. According to the "law," the number of officials and the quantity of work are not related to each other at all. That is to say, we cannot draw a conclusion that there are redundant staff members in a given organization by noting the phenomenon of "a cup of tea, a cigarette, and a piece of newspaper for half a day" during working hours. And even though everyone has something to do, and everyone is busy all day long, this does not necessarily equate utility. The state of "pseudo-adaptation" (Jay, 1987, pp. 251) in administrative institutions protects bureaucracy legally, and obviously increases the difficulty of determining the indexes of performance.

Government institutions always appear as societal administrators; meanwhile, these very institutions exercise no self-discipline themselves. Therefore, it is difficult to devise strict, scientific and self-binding policies of performance management. Because of the nature of policy and the coercion of government functions, the government is used to issuing orders. That is to say, the activities of social organizations and individuals receive restraint from the policy and regulation of the government. The restraints that the government and its civil servants receive are limited, and most of them are in fact self-discipline policies, rules and systems made by the government itself.

Western scholars explained public-choice behavior with the "Economic Persons" hypothesis (Buchanan, et al., 1989, pp. 74). They pointed out that, given the lack of competition, it is unnecessary for government officials to care about the efficiency of services, and it is unnecessary to restrain their own behavior. On the other hand, if the government didn't "produce" excessive public service, or didn't try to "produce" the budget deficit, it would lack the rationale necessary to expand its privileged budget funds for the next year. These public services and budget deficit are often mixed with the actual requirements and make it impossible to assess performance.

Finally, there is another important obstacle in implementing government performance management in China, the conceptual obstacle. There are two major, deep-rooted ideas that stand to impede the application of government performance management. The first stems from China's so-called "Official standard," the traditional belief that one's value is generally measured by his position and promotion. This states that one is arrogant and proud when in a commanding officer's position, and otherwise "fearing and respecting of the officer." Under such a psychology, nobody dares to supervise government officials. It is difficult for the government and its officers to face the appraisal and supervisions of the public with this mind-set. The standards, method, and procedure of appraisal and supervision, are formulated and carried out by the government and its officials. The second obstacle is a certain indifference in the consciousness of so-called "rational persons."
Government performance management is the result of a commodity economy and market economy. However, China is a country with a long traditional economic history that has a great emphasis on small-scale production. People have only encountered the capitalist conception of commodity over the past 20 years, and the market, in its true meaning, in the past 10 years. They are even unfamiliar with calculating cost and result in the production of state-owned enterprises. How can they be expected to calculate them in the field of administration?

In a word, government is different from business, and China is different from developed countries. Therefore, we cannot indiscriminately imitate the concrete method of businesses from foreign countries when implementing government performance management. It is of the greatest importance that we rethink the concepts of government and its civil servants.

Analysis of Feasibility in Implementing Government Performance Management in China

Even though there are many obstacles in implementing government performance management, China has a tentatively set up socialist market economy system and has entered into the WTO. At present, reforming the government appears urgent and necessary, and implementing government performance management is an important element of government reform. With the understanding of how it was implemented in a number of western developed nations, while under pressure from a high financial deficit, and having resolved to fight corruption, it should be feasible for us to implement government performance management.

In China, to set up a government performance appraisal system is necessary for perfecting the socialist market system, so it entails the feasibility of social development. The building of government performance management in China was put forward only in recent years. Concretely speaking, it took place after the social market system was set up. During the period of planned economy, the government was appraised primarily by its own authority. We were satisfied with a people's government that was absolutely authoritative, represented the fundamental interests of the people and was suitable to the planned economic system. The government during such a period of planned economy is "omnipotent" and its responsibility is "limitless," so it is impossible and unnecessary to appraise its performance. What is required of the government by the socialist market economy is totally different. An economy-operating mechanism that stresses efficiency and results requires that the government pursue efficiency and results as well. China, as a developing country whose economy is in a transition period, must put effort into setting up the government performance appraisal mechanism after changing its government functions first. In other words, when compelling the transition of government function, we should research the founding of a government performance appraisal system, in order to speed up the transition of these government functions and perfect the economic system.

The building of the government performance appraisal mechanism is necessary to match our administrative system with that of other countries, after the entry into the WTO. After entry into WTO, the traditional administrative management mode and appraisal standard in China must be restrained by international regulations. What is required of the government, and the means by which to fulfill these requirements through the WTO, is obviously very different from what is expected of a government in a planned economy. Setting up a government performance appraisal system according to international criteria is an important move for China, in order to face the challenges of the WTO. At present, the administrative efficiency of our government is extremely low, unmentionable in the same breath with that of developed countries. Such low administrative efficiency seems to be due to our overstaffed organizations, and is the reason why China bears such heavy financial burdens. This low efficiency also appears to stem from a reckless system of examination and approval. After entry into WTO, it is crucial that the government reduce administrative costs. In order to guarantee that administrative costs do not rebound after being reduced, it is imperative to set up the scientific government performance mechanism. In our traditional administrative appraisal, we paid excessive attention to political and class interests, while ignoring the economic benefits and public interests endowed in an appraisal system. This obviously doesn’t match the demands of internationalization. Most western countries regard increase, fairness, democracy and orders as the core of the government performance appraisal, which is applicable to all the countries in the world. We can draw lessons from these countries, while setting up the government performance appraisal system in China.

At present, a government performance-appraisal mechanism is also necessary to improve the modus operandi of party and government, and so it is, therefore, politically feasible. Despite repeated attempts to correct them, significant problems persist at the administrative level in both party and
government. Among these are the phenomenon of party members and cadres failing to fulfill their responsibilities or take initiative, currying favor with superiors, while being arrogant and domineering towards subordinates, the continual shifting of responsibilities and arguing over trifles, the prevalence of so-called “achievement projects” and “gift-presenting projects,” seeking advancement and promotion, yet not taking on the commitments, and, of course, the innumerable piles of files and endless conferences (Li, 2002, pp. 112-116). The directorial function of the current checking-and-rating mechanism for cadres and departments is a crucial factor in perpetuating these phenomena. Such appraisal criteria and variables as output value, tax revenue amount, reemployment rate, case-solving rate, poverty reduction rate, forested area, times of conferences, numbers of people attending conferences and propagating copies, etc. lead to the vicious circulation of “figures producing officers and officers producing figures.” In order to thoroughly combat such malpractice, we must improve the institutional architecture of party and government. It will be an important and effective link in setting up a scientific government performance-appraisal mechanism.

To assist in ascertaining the technical feasibility of implementing government performance management in China, we can draw-on the theoretical and practical results of developed western countries. In the government reform movements in western countries in the 1980s, Britain, New Zealand, USA, Denmark, Holland, and others successfully carried-out governmental reforms, and stressed that “modern public management reforms attached equal importance to performance and money saving” (Karmie, 2002, pp. 87). On the basis of the civil servants’ performance appraisal system, which was set up in the 1970s, Britain issued the “Civil Servant Decree” again in 1991, and perfected the legal system of checking and rating national civil servants. At the beginning of 1980s, Denmark proposed the concept of “Responding Country,” that required the government to regard citizens as customers instead of voters. In the National Performance Appraisal Council report in 1993, the USA proposed a new concept of inventing business-like government, which can lower cost and enhance efficiency. Their reform made remarkable achievements in the delegation of power, contracting out, enterprise reform within the government, simplifying civil servants, etc. Corresponding to government reform practice, the governmental theories of western countries have been undergoing a significant transformation from public administration to new public management. They proposed the appraisal standard of government performance, with “the three E’s” (economy, efficiency, and effectiveness) as its main contents. Furthermore, some scholars directly proposed a “Rational Mode” and “Social Interactive Mode” to evaluate government performance. Although there are still many contradictions or even conflicts among these theories, and there is distance between the theories and reality, these theories and practices have offered us wide space for thinking.

While determining our performance appraisal standards and methods, we may draw-on the reasonable elements of the “Social Interactive Mode” put forward by western scholars. The American scholar Lyndblom advocates formation of final administrative decisions through institutional interaction and the coordination of plural interest subjects in a democratic society (Pye, 1990, pp. 250). The social interactive mode that he designed is summed up as “Scattered Suggestions—Social Interaction—Synthesized Suggestions.” Lyndblom further explains that there exist very complicated relations between politicians and administrative personnel, politicians and the public, administrative personnel and the public, and among administrative institutions. Each of these understands government performance from the point-of-view of their own interests, so their suggestions vary greatly. Through varied formal and informal exchange and interaction, a final coordination of the suggestions is realized. This final coordination does not represent the suggestions put forward by any one side, but can be accepted by everyone, and so, in effect, is a synthesis of different values.

Lyndblom’s “Social Interactive Mode” recognizes and incorporates vast contradictions of interests, but it is not practical in operation. That is to say, the social interactive course he designs lacks efficiency, and presents a threat that all scheduled appraisal indexes may become murky, and so, in the end, it cannot be carried out. However, the conceptual foundation of the theory is enlightening. When we design a government performance appraisal system, we must be certain at least to include the following aspects.

Firstly, the appraisal index should include both “hard quota,” which refers to the quantifiable indexes whose main contents and methods of appraisal is an economic audit (Cai, 2001, pp. 110-126), and “soft quota,” which gauges public satisfaction. This, of course, is difficult to quantify. Its main contents are social appraisal derived through investigation by social intermediary organizations. Of course, some of the “soft quota” can be turned into “hard quota,” such as public approval rates, measured implementation of government decision, case-occurrence rate, and so on.

Secondly, the direction of the appraisal should be multi-dimensional, which includes top to bottom appraisal, bottom to top, mutual appraisal among
different institutes, and self-appraisal. Appraisal here signifies three elements: self-appraisal, multi-dimensional appraisal within the system (this includes appraisal between superiors and subordinates, different departments at the same level, leaders and general workers in government institutions), and multi-dimensional appraisal beyond the system (that is the public's assessment of the government, leaders and civil servants). It's difficult to quantify these appraisals, for individual prejudice will play a great role in the appraisal results. Therefore, the public should participate in the appraisal as often as possible.

Thirdly, it should combine annual appraisal with tenure term appraisal, and the formulation and execution of short-term development plans with formulation and realization of long-term sustainable development plan. The key objective of this kind of appraisal, that mainly aims at the administrative leaders, and emphasizes the combination of long term and short term, is to rectify the drawbacks of an appraisal mode that only pays attention to input and course, but ignores the efficiency and result.

Fourthly, the subject of appraisal should include economic and social benefit. Although the government is a nonprofit organization and doesn't see economic benefit as its primary goal, it is absurd to claim that it is unnecessary to calculate the economic benefits in the operation of government. We must distinguish two kinds of benefits: one is the economic and social benefit that the government achieves in its jurisdiction, due to decision-making and implementation; the other is the social benefit, which arises out of the economic efficiency of the internal management of government.

Conclusion

During the period of our planned economic system, the Chinese government never emphasized administrative efficiency and cost. The focus of reform in China has always been on clarifying the relations between the Party and government or government and business, or on revamping administrative institutions and improving the civil servant system. Until joining WTO, we did not realize that low efficiency and high cost not only hinder the improvement of our socialist market economy, but also damage the government's image, the relationship between the Party and the public, and cadres and the public. Because of this realization, the political report at the 16th congress of our party made clear that we must raise administrative efficiency, reduce administrative costs, and reform the administrative management system to be just, open, honest and highly efficient. Therefore, implementing government performance management can not only assist in the realization of the target reforms made at the 16th congress, but also safeguard for the consolidation of the reform achievements.

In addition, from the analysis above, we can see that setting up and implementing government performance management means more than changing management methods of checking and rating government and civil servants. It will be an important link for us in setting up a modern democratic, efficient, just and honest government. The prerequisite to setting up and implementing government performance management, is to alter government functions and civil servants' concepts, reform the personnel system of cadres, and strengthen people's sense of responsibility and desire to participate. So, we can firmly say that the task of establishing government performance management cannot be completed overnight. On the contrary, it will be a slow progress, during which the concepts and behaviors of civil servants and the public must be upgraded, and a modern political civilization will be constructed.

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