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On the Reform of Local Government Organizations in China

Qingyun Chen, Peking University

Ji Chen, Peking University

Qingdong Zhang, Peking University

As pointed out by many scholars, China has adopted a socialist market economy. A thorough reform of the governmental system and governmental organs has not yet been established to meet the demands of this new economy. Therefore, some problems exist:

1) No formal separation of functions between government and enterprises exists. This makes regulation difficult at the macro-level.

2) The transformation of governmental functions is lagging behind reforms in other sectors. The reform of state-owned enterprises is progressing even more slowly.

3) Regional protectionism prevails, lowering efficiency and compromising the quality of construction.

4) Government organizations are overstaffed. Enterprises and peasants are therefore overburdened by unnecessary taxation.

5) The functions of intermediary bodies are distorted; their functions operate bureaucratically and enterprisingly.

6) Corruption is still a grave problem (Diao and Fu, 1999, p. 36).

Therefore, government reform in China must be part of any economic reform. There have been four instances of government organization reforms on a large scale. The reforms took place in 1982, 1988, 1993, and 1998. Of them, the most important reform commenced in 1998 and "was the most determined, the most dynamic and on the largest scale in the government organization reforms since 1949" (Liu, 1998, p. 1). During this government organization reform, the central government took the lead and got the initial results. At the beginning of 2000, local government reform followed.

Generally speaking, there is a four-layer structure in the system of local government in China: province, large city, county, and town. In this system, there are many administrative levels, and areas with large populations are under the jurisdiction of the local governments. Therefore, as China assumes the task of government reform, some of the most difficult, but also the

Abstract: Reforming local government organizations is of decisive significance. Reform at the local level is not only affected by the exemplary role of the central government organization reform, but also has its own special background and contents. Reforming local governments is a greater challenge than reforming the central government as there usually are few posts offered by local governments at lower levels or few private companies in the small cities and towns of China with the capacity to absorb the downsized government employees. Beijing, Zhejiang, Liaoning, Sichuan, Guangdong, and others have made valuable explorations into the formidable task of reform, and each city has accumulated a wealth of experiences.
most significant work, will be at the local level.

This paper discusses the special background of local government reforms, its content and characteristics, major problems associated with the reforms and measures required to solve them. Reform involves people’s interests: politically, economically, and socially, and governments must stick to the principles of justice, fairness, and openness, which is essential for the success of the reforms.

The Special Background of the Local Government Organization Reforms

To establish and perfect the socialist market economy, the government must reasonably define its functions. It is necessary, through organization reforms, to adjust the structure of government departments, reduce the number of departments and re-allocate the powers of various departments in order "to realize the legalization of government organizations, their functions, their authorized size of the government body and the working procedure" (Jiang, 1997). While the reform of local government shares some common aspects with the reform of the central government, the former is carried out against a very special background.

The Exemplary Role and Influence of the Central Government Organization Reform

The central government organization reform had been carried out from top to bottom. By October 2000, it was basically completed. Central government reform was guided by a basic principle: "Decide the number of personnel in each government agency; decide the number of positions in each government agency; and decide who is in what position."

The basic model is formed, including re-organizing or eliminating some departments that are directly in charge of economic management, reinforcing departments responsible for macroeconomic control, increasing social service departments and developing social intermediary bodies. Thus, the administrative reform of the central government provides the organization reforms of local governments with some standards, such as in the proportions by which government organs are reduced, the pace of the reform, and the government policies for the staff repositioned (e.g., enjoying their original material benefits, providing job-oriented training, replenishing enterprises, optimizing the structure).

These provide the local governments with models for their reforms. Moreover, the success of central government reform has exerted a strong influence and political pressure on local governments, forcing them to complete their own organizational reform as soon as possible.

One difficulty is when a local government reformer applies the existing model too closely, neglecting his or her own actual economic and social conditions. The more they imitate the reform of the central government, the more their reforms are likely to be superficial and to become political slogans.

The Current Situation That Local Governments Must Face

The odd phenomenon in the personnel system: Since adoption of the civil service system in 1993, governments at various levels have set up a series of rules and regulations for personnel matters. For example, if someone wants to have a job in a government institution, he or she must take various examinations and must earn better grades than anyone else. However, the post-classification system has not yet been clearly and definitively established, and major obstacles to reform result from a personnel system where officials are always promoted (very rarely reduced to a lower rank), and the "iron rice bowl" (a secure job) is commonplace. Such practices hinder new ideas from flowering.

The difference between the developed areas and undeveloped areas: On the whole, the actual conditions in more than 30 provinces of China vary considerably. For example, there are great differences
between the developed areas along the coast in the eastern part and the undeveloped areas in the mid-western part. Obviously, the reform cannot follow any fixed model due to these profound differences.

The current situation of the local government system: According to statistics, there are 5,480,000 staff members of the local administrative system at various levels. Overstaffing cannot fully and reasonably allocate the manpower resources, but it does increase financial pressures. People call it “eating the finances” (i.e. the finance can merely support the people to live).

The financial situation: By analysis of the financial expenditure structures during the 20 years before 1998, it is shown that “most parts of financial expenditure were spent on capitation payment. According to the current standard, i.e., 10,000 yuan (RMB)/person/year, during 1996, 36,730,000 public servants needed 360 billion yuan from the government’s financial expenditures, which occupied nearly half of 800 billion of the national financial resources” (Xing, 1998, p. 10).

So, as far as the financial expenditures are concerned, “eating finance” occupies a large proportion in the gross financial expenditure, which makes local governments often feel “unable to perform their duties in supplying public goods and service.” For example, the government of Yunnan Province offered financial support to the population of 380,000 in 1987, and up to 1,150,000 in 1997. The net increase is three times as many as the number of 1987. The augmented speed is five times higher than the rate of the natural increase of population in the province during the same period (Yang, 2000, p. 34).

There are enormous complex and interwoven problems inherent in local government reform. We must clarify which one is most important, which one is urgent to solve.

There are enormous complex and interwoven problems inherent in local government reform. We must clarify which one is most important, which one is urgent to solve. Some argue that in the reform, we should act according to the following principles: 1) transformation of perceptions should be the highest priority, compared with the discipline; 2) setting up a relatively perfect social welfare system should be the highest priority, rather than dismissing and repositioning redundant staff; 3) transformation of governmental functions should be the highest priority, rather than streamlining government agencies; and 4) strengthening financial budgets should be the highest priority, rather than reducing the size of government agencies (Shi, S-g, 2001, pp. 22-23).

Facing so many problems, nevertheless, we think the key aim of the reform is altering governmental functions.

The Key Aim: Altering Governmental Functions

Long ago, in China, “the executive behavior of executive branches of governments mixed with non-execu-
tive behavior, and the governments had to deal with something they should not deal with, or they could not very well deal with, or they needed not deal with at all” (Ren and Liang, 1999, p. 275).

The transformation of governmental functions “is crucial, focal, and faces difficult challenges” (Zhao, 1998, p. 84), not only in the reform of the central government but also in that of local governments. Over a long period, there are considerable similarities in the establishment of organizations and the classification of functions among the government organs at various levels. For example, there are some similarities in the classification and allocation of an organ’s functions among various provinces, and the similarities in the structure of government organization between the central government and the governments of various provinces.

In the reform, two measures were adopted to alter the functions of governments: a) re-constructing governmental organization; b) defining clearly which functions should be transferred, which functions should be moved to the lower level, which functions should be reinforced, and which functions should be canceled. For example, in Fujian Province, after the government organization reform, 326 functions were transferred, 112 were put into a lower level, 46 were reinforced, and 42 were canceled (Zhongxin, 2000).

The Key Measures

Reducing the Number of Local Governmental Organs

To the best of our knowledge, after the reform of local governmental organizations, the government organs have been reduced from 53 or so to 40. In the less developed provinces with smaller populations, only 30 organs are left. The governmental organs in municipalities directly under the central government are reduced from 61 or so to 45. After the reform, the governmental executive branches of big cities will be reduced to 40 or so, the number of branches of middle cities will be reduced to 30 or so, and to about 22 for the small cities. For those cities with less population in the underdeveloped regions, the number of government organs should be even less. For the regions of national autonomy, the governmental branches should be reduced to 25 from 35. The number of government organs at the county level should be reduced to 22 for big counties, 18 for middle-sized ones, and 14 for the small ones. The government organs of poor counties or with less population should be less in number but more capable (Song, 2001, pp. 387-397). This is almost the final aim and unique standard for the reforms of various provinces. The table below shows the amount of local governmental organs before and after the reform.

From the table, we notice that the number of governmental organs in most provinces is above 40 after the reform. This shows that most provinces basically observed the standard of the central government. On the other hand, it also shows that few local governments automatically limit the number of organs to less

<table>
<thead>
<tr>
<th>Provinces and Districts</th>
<th>Number of Organs before the Reform</th>
<th>Number of Organs after the Reform</th>
<th>Number of Organs Reduced</th>
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<tbody>
<tr>
<td>Beijing</td>
<td>67</td>
<td>45</td>
<td>22</td>
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<tr>
<td>Shandong</td>
<td>67</td>
<td>46</td>
<td>21</td>
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<tr>
<td>Liaoning</td>
<td>52</td>
<td>41</td>
<td>11</td>
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<td>Shanghai</td>
<td>56</td>
<td>43</td>
<td>13</td>
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<td>Sichuan</td>
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<tr>
<td>Heilongjiang</td>
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<tr>
<td>Jiangsu</td>
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<td>Jilin</td>
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<td>Henan</td>
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<td>Xinjiang</td>
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<td>39</td>
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than 40. This kind of “taking the same action without prior consultation” of local governments reflects to a certain extent how difficult it is to reform local government organizations.

In order to carry out the reform of local governmental organization from higher levels to lower ones successsfully, most provinces and districts have worked out detailed plans. Taking Anhui Province as an example, the numbers of the governmental organs at the provincial level and serving large cities are reduced to 40 or so, the number for medium-sized cities to about 30, and the number for small cities to about 22. The number of governmental organs of larger counties is reduced to about 22, the number for medium-sized counties to about 18, and for small counties to about 14. The number of staff in the government at the provincial level is cut down by half, following the reduction proportion established by the State Council (Shi, 2000).

Thus, it can be seen that the reconstruction of local governmental organization in this reform is characterized in the following ways:

a) There are considerable similarities in the number of organs, the function of organs and even the names of the organs in various provinces.

b) The reconstruction model of local governmental organs basically is the same as that of the central government.

c) The basic principle of local government organization reconstruction is to reduce those organs which are directly in charge of economic management, and to reinforce the departments of comprehensive management.

Repositioning Redundant Staff

According to the central government requirements, in principle, 45 to 50 percent of the staff in the provincial government should be repositioned while 30 percent or so of the staff in the municipal government should be repositioned. Basically, the reform of local governmental organization should conform with that of the central government. After nearly half of the staff in the central government was reduced, local governments followed by also reducing government staff by 50 percent.

The number of posts for middle-managers in Guangdong Province was cut by 15 percent, and the number of posts for the staff at lower medium-level was cut by 25 percent. In Sichuan Province, the number of administrative staff was reduced from 5,276 to 2,744. In Liaoning, the number was reduced from 4,955 to 2,577. In Jiangxi, the number was reduced from 4,287 to 2,230. The Liaoning provincial government suggests that the staff who have been dismissed can be resettled in six ways:

a) Some people can be repositioned in enterprises and/or non-government organizations;

b) Those who have professional knowledge and management experience can be recommended to the large and medium sized state-owned enterprises;

c) Some of these people can be persuaded and encouraged to find jobs in social intermediary bodies;

d) Some of these people can be encouraged to set up enterprises and public welfare bodies or to find jobs in privately owned businesses;

e) Young people should be encouraged to pursue more advanced education, such as undergraduate study, graduate study, or some job-oriented training;

f) Some people should be persuaded to retire before the normal age of retirement.

<table>
<thead>
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<th>Table 2: Proportion of Staff Reduction of Some Local Governments</th>
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<tr>
<td>Provinces and districts</td>
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<tr>
<td>Beijing</td>
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<td>Hubei</td>
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<td>Liaoning</td>
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<td>Yunnan</td>
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Chen, Chen, Zhang/ On the Reform of Local Governments in China
Re-allocating the Powers of Local Governmental Organs

Reforming the organization of local government will result in reconstructing or weakening the powers of some governmental organs. From the reform plans of various provinces, we notice that some readjustments have been made in the way the power operates, among which reforming the examination and approval system was one of the most important changes.

The municipal government of Beijing put forward that "the concrete items of examination and approval should be reduced as much as possible. A system of making affairs public has been put into effect; the basis, standard, procedure, and deadline of the examination and approval should be revealed to the public. All this should be under the people's supervision" (Liu, 2000).

Various organs should categorize the items of administrative examination and approval, and cancel some items that should be controlled by the enterprises themselves, or the market regulation, besides the items which are illegal, or have no sound basis according to laws and regulations. The repetition of examinations and approvals should be avoided. Some items should be delivered to the governments at a lower level, letting the decisions be made more locally.

In order to establish a system of examination and approval which is scientific, just, fair and powerfully supervised, the process of examination and approval should be improved; a set of standards for the procedure of the examination and approval should be established; the procedure of the examination and approval should be simplified; the deadline for examining and approving should be fixed; and the supervision of the examination and approval should be strengthened.

In Zhejiang Province, 751 items of examination and approval have been cancelled, transferred, or handed down to the government in the lower levels, making up 54.7 percent of the total. The government of Tianjing is going to reduce by 40 percent 937 items of examination and approval (Huang, 2000, p. 4).

Three Major Problems and the Methods to Solve Them

There are considerable difficulties in the reform of local government organization. The most perplexing problem is repositioning of redundant staff. According to previous reforms of government organization, there are five ways to reposition staff:

1) Transform administrative organs into enterprises or non-governmental organizations that would participate in market competition;
2) Separate the staff in rear-service organs from the main bodies of government institutions;
3) Persuade those close to the age of retirement to retire early;
4) Encourage staff to find jobs in private industry;
5) Give staff the chance to be trained while keeping the posts in the government organs for them.

However, these suggested measures could not solve all the problems; usually they created additional, unanticipated concerns. Meanwhile, in doing so, local governments could not be relieved of their heavy financial burden. On the contrary, very likely the burden increased. It was reported in People's Daily on March 16, 1998 that by the end of 1996, the number of people who were supported financially by the government reached 36,730,000, an increase of 82 percent since 1978, while the entire population increased only 27.1 percent during the same period.

Among the staff who got financial support from the government, the number of the cadres of the Party and government reached 11,000,000, which doubled the pre-reform number. The financial expenditure of administrative cost reached 104.08 billion yuan (RMB) in 1996, increasing 15.5 times by 1980 (6.679 billion yuan), whereas the gross financial expenditure only increased by 5.46 times during the same period. The national financial revenue increased 100 billion yuan (RMB) per year from 1993 to 1997, but the growing population supported by the national finance was more
than 1,000,000 per year. The rising financial expenditure for salaries and wages per year made up over 60 percent of the increasing national financial capacity. In many places, 80 percent of the growing financial revenues were used as staff payments. During the sixth five-year plan of economic construction, administrative fees made up 6.8 percent of financial expenditures and during the seventh five-year plan, the number was 8.8 percent, while during the eighth five-year plan, the number was 11.9 percent, and the number was up to 13.1 percent in 1996 (Li, 1999). Therefore, these strategies of dealing with redundant staff were less than ideal.

There is no denying the fact that the intensity and difficulties of this reform are greater than that of any previous reforms. The process of reconstructing government and of deciding upon the official size of the government agencies is perhaps easier because this work can be completed by the government’s administrative offices. To a certain extent, in China, government reform is largely an administrative problem, but repositioning redundant staff is a social problem.

No doubt, simplifying the governmental administrative structure and repositioning staff imply that those civil servants affected by the job cuts will no longer be able to work at the job they originally chose. Although the workers have a variety of jobs, most of them share some psychological concerns. In general, for the agencies which can be reserved or strengthened during the reform of government organization, most employees maintain an unruffled mood because of the comparatively simple task in simplifying government organization and repositioning redundant staff. But for the organs with heavy workloads, some of those agencies may be merged into one another or canceled, and there is a growing feeling of insecurity for the employees. Many people put themselves in a passive position, and take a perfunctory attitude towards their work. Even worse this mental state slows workers down in their day-to-day work performance.

After 1998, employment pressure grew. The reform of state-owned enterprises caused millions upon millions of workers to lose their posts. The situation makes it much more difficult to solve the problem of repositioning staff in the reform of local government organization. In addition, repositioning redundant staff is particularly difficult for the following reasons:

a) As far as the issue of stable employment is concerned, many people took a job in a government agency as an “iron rice bowl” to be envied by everyone, especially by the civil servants of the county governmental organs in the undeveloped areas.

b) As far as the employment channel is concerned, the employment capacities of enterprises and non-government organizations are very limited. As for different levels, the nearer to the lower level, the problem of re-employment becomes more conspicuous. As for different areas, obviously the ability to re-employ in the central and western parts of China is more limited.

c) Though it is possible for laid-off government workers to find jobs in the private sector, absorbing government workers does not necessarily benefit the private company that hires them as the skills of the worker may not serve the needs of the company where the worker gets hired.

Because local governments face a myriad of challenges while serving their constituents, including complicated relationships and conflicts, the process of reforming the administrative structure at local levels is quite difficult. On the one hand, local governments have to convey the voice of the masses to the higher level governments, and on the other hand the policies issued by the higher authorities must be implemented locally. Thus, the responsibility taken by the government at county and town levels may be too heavy in workload, too trivial in range and too difficult in degree. Comparing this with organization reform of ministries and commissions at the state level, the organization reforms at local levels have obvious peculiarities. For example, people who lost their jobs at the state level can be repositioned at a lower level, but at local levels it is difficult to settle
people from the county level to lower-levels, not to mention in the town and zhen (smaller township) levels. For one thing, there is less opportunity for people who have been dismissed to find new jobs; for another, the lower the governmental level, the more serious the problems of inefficiency and deficiency are for the administrative organs.

In addition, in the repositioning of redundant staff, there are four problems which will potentially exert a negative impact upon the reform, and they should be discussed here in detail.

Not reducing strategically: When reformers only pay attention to reducing the size of the government workforce by eliminating unnecessary staff members, they often ignore how to best reposition these laid-off workers in a productive capacity. In fact, how to resettle the staff becomes a crucial problem. The leaders seldom think about how to reposition the staff, and at times there are not as many job openings as expected in which to absorb the government workers.

Appointing people by favoritism: The original aim for the reform of administrative structure in local levels is to implement a just, fair, diligent, practical and efficient government. But the reality of human relationships and the desire by some to enjoy privileges in the new administration causes a small number of people to seek the opportunity to obtain power and push out dissenters.

Only dismissing ordinary personnel, but not the higher level employees: To avoid offending the interests of the leading class, some leaders who are not qualified for their positions will not be dismissed, though they should be. No doubt, this kind of reform can only lead to one result, that is the imbalance of seniority; in other words, there may be more policy makers but fewer people who do practical and specific work.

“No one comes in and no one goes out!” Because of a redundancy in governmental agencies, many agencies could not assign young personnel to suitable work for many years. Reform strives to perfect and merge the personnel in the current system. Therefore, it is not unusual for older, unqualified personnel to supplant talented persons who are badly needed by the governmental organization (Yi, 2000, p. 18).

Obviously, the essence of this problem affects the interests of the people. That is the difficult aspect of this problem. If the government cannot stick to the principle of justice, openness and impartiality, the costs for the reform of local governmental institutions will increase.

In order to reposition the redundant staff successfully, every government agency must work out a set of plans institutionally and organizationally, and put forward a series of favorable measures to support the plans. For example, the government of Zhejiang Province has made a unified arrangement for the repositioned staff in remuneration and welfare benefits, the title of a technical or professional post, housing, and medical treatment. For those staff who are laid off and will be eligible for training, the provincial government will incur the cost. During the training time, those people who are put in the previous working place’s charge will enjoy the same salaries and benefits as those who are still at their posts. One year after graduation, they, tentatively, can continue to have the official status and treatment. Those civil servants whose resignations are approved can get a subsidy for the resignation (Chai, et al. 2000). These measures help staff to reposition free from psychological pressure. But at this time it is a crucial point in the successful reform of local government organizations whether these measures can break through the professional (or trade) barrier and establish a unified market for the qualified manpower; thereby, as a whole, the developing strategy of the qualified manpower resources can be fulfilled.

It should be emphasized that the reform of local government organizations does not only involve the civil servants' interests, but also the government agencies' interests themselves. Before reform, the Chinese government system was characterized by centralization, and local governments had neither independence nor
initiative in the creation of a new system. After reform, the central government rendered many powers to local governments in several ways, such as empowering local governments with more independent rights of economic activities in the special economic districts and enlarging the limits of local government jurisdiction (Guo, 2000, pp. 71-72).

At the same time, because local governments must re-organize or cancel some agencies which are directly in charge of economic management, those agencies will lose some powers. No doubt, local government agencies are not willing to weaken their positions. On the contrary, they would keep increasing some agencies and enhancing the grade of those agencies. Thus, those agencies that are more authoritative and powerful and can gain more benefits for their staff will attract more people, and in turn these agencies must open new and wide financial channels to support those staff.

This happened quite often and incurred a vicious cycle of “reducing-expanding-reducing-expanding” local government agencies in previous reforms. It is well known that “essentially interests are the motivation of government agencies, and maintaining and strengthening the power of government agencies will be unavoidable as long as there is a wish to seek after interest(s)” (Peng, 2000, pp. 45-46).

Therefore, it is obvious that at the transitional period, local government agencies act not only as a “moral actor,” but also as “economic actor” and “political actor” (Shi and Xu, 2001, pp. 24-38) and they will make use of the reform policy resources at full length to serve their own interests. In order to implement the reform successfully, reformers must keep in mind that the goal of the reform is not merely to reduce a number of staff and streamline some government agencies, but also to change the structure of people’s interests and impact on current powers and benefits of local government agencies. It is hoped that this will “create an authoritative government with high efficiency, honest in performing its duties [and] develop a team of public servants who are honest, diligent and on intimate terms with people, and have a sense of responsibility and professional morality” (Liu, 1998, p. 84).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Manifestations of Inner Conflicts**

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

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

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

**China’s Response to the Inner Conflicts**

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

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

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

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

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

**Government Competence**

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

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

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

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

In China, the transformation of government's function depends on: a) the eradication of the portion of government power which formed under the planned economy and hampered the establishment and development of the market economy; b) the real and complete return to enterprises of the power of management and operation denied them under a planned economy; c) the reasonable separation of powers between different branches of government and the distribution of the over-centralized power to the lower government; d) the transfer of powers held by the government to social intermediary organizations; e) the establishment and reinforcement of powers of the government in the macro control over the market economy, and in the
management and supervision of the state owned assets and social public service power; 1) development of a government public administration system, which can initiate government performance reform and improve internal management.

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

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

Reform of Government Institutions

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

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

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

Specific reforms are:

- Transform the government functions and separate the government from enterprises in accordance with the requirement of a developing market economy — that is, to shift the function of the government to macro control, social management and social services (Sang, 2000).
- Unite or cut specific administrative departments and special institutions in the comprehensive departments; to transform economic departments into macro control departments; to duly strengthen the departments of decision-making, consultation, adjustment, supervision, audit and information; to change the working manner of the comprehensive departments so as to improve the macro control capability of the government (Luo, 1998).
- Implement the principle of simplification, uniformity and function, adjust the framework of government organization, strengthen departments which supervise the implementation of laws, adjust and decrease special economic departments, and develop social intermediary organizations; to rectify all administrative companies and the institutions upgraded in recent years, and cut the overstuffed institutions.
- Deal with the personnel adjustment.
- Establish the system of responsibilities for specific posts level by level, and enhance the quality and efficiency of work.

Reform of the Personnel System

To meet the needs of the developing market economy, the reform of the personnel system in China should revolve around reforming the centralized uniform management along with the serious phenomenon of rule by man. Attention needs to be paid to establishing and perfecting the method of analyzing the work of governmental departments, sorting and
appraising the posts, so as to set up a scientific classification of management systems. There needs to be a change of the uniform mode of managing the personnel by cadres of the Communist Party, setting up a diversified personnel management system. The lack of democracy and a legal system should be addressed, and the professional conduct should be codified. Additionally, the reform should: a) set up a system about the excess of administrative power and its control; b) control cadres and personnel by law and open supervision; c) change the condition of rewards to a merit-based system; d) change the condition of under-performing personnel, and e) build a highly qualified professional public administration.

The Construction of a Governmental Legal System

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

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

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

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

In the transitional period, the lack of proper understanding of the rule of law results in the promulgation of many executive rules and regulations without constitutional legitimacy or proper authority. Although some of them reflect the new requirements of a market
economy, they violate the laws and principles of a market economy. The administrative rules and regulations are the extension of governmental executive power. The government’s legislation involves a wide range of basic economic relationships and promulgates economic law in the place of a legislature; as a result the government consolidates and enlarges the executive power by means of legislation. This kind of legislation benefits specific departments, and would result in inefficiency.

The inefficiency, in turn, will become the reason that government intervenes in the activities of market participants. Excessive intervention in the market economy will increase the degree of intervention. The market will be gradually replaced by the government, private law gradually invaded by public law, the participants of the market gradually losing the originally enjoyed benefits under the disguised intervention of a government.

Although the market economy, mature or not, cannot operate without the appropriate intervention of the government based on the law, the rule of the market economy makes it impossible for governmental power to enter into the market. Entering into the market of administrative power of the government in the form of “planning” will result in the integration of the administration and business, and even provide the pretext for the monopolization of administrative power by administrators and businessmen. Contrary to the construction of a legal system, this results in more administration and a smaller market.

Once this result has developed without restriction in the name of reinforcing the legal system, the function of the law will be weakened and the efforts toward making the legal system healthy will be in vain. This tendency needs to be considered and overcome in this transitional period. We must emphasize the administration by law and strengthen the construction of the legal system (Cai, 1999c).

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### Conclusion

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

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

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

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

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

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The Institutional Balance and Political Stability of the Chinese Government in the Transitional Period

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Political stability plays an important role in contemporary political development and has been an issue of public concern for developing countries. For China, engaged in a period of economic transition, the notion of political stability may prove especially significant. While changes in economic structure require a stable political environment, such changes often lead to contradictions that disrupt stability. Although the principal objective of China is economic development, without a stable political environment nothing can be accomplished (Deng, 1987). In China, the issue of political stability in the period of transition stems mainly from changes in the economy. Consequently, economic issues must be taken into account in order to draw objective, scientific conclusions regarding political stability (He, 2001). As S. P. Huntington observed (1986), political scientists regard politics as a dependent variable, hoping to find an explanation for political phenomena in other social processes and systems. They regard the changes in the nature of society and the economy as more important than political changes.

Hence, the useful part in the theory of institutional analysis has been assimilated to form a framework of analysis on the institution (institutional balance, interest balance, political stability); to develop a rational explanation about the issue of political stability in the transitional period from the institutional point of view; and to draw the conclusion that institutional balance is the solution for political stability in China in the course of market development.

This paper proposes that the government take measures to avoid political instability and strengthen institutions. The government should provide institutions sufficient resources to combine, promote, and reform development and stability during the economic transition period.

Abstract: The problem of political stability in the transitional period of China is a topic of great concern for Chinese and foreign scholars, many of whom have analyzed this topic with different theories and methods. In this paper, institutional theories are employed to investigate the influences of the institutional balance of the Chinese government on the interests of different subjects and possible changes in the political environment. It is believed that the Chinese government plays a dominant role in the process of market development in connection with the economy. The provision of institutions by the government exerts great influences on the interests of different subjects and is closely related to political stability. The practice of the Chinese government of maintaining the balance of interests throughout society by means of institutional balance is the foundation of political stability in China.
The Theoretical Implication of Institutions: A Precondition for the Analysis of Political Stability

Institutions and Their Constitution

Our understanding of institutions has been steadily developing. Moreover, institutions change along with the social, economic, and political environment. According to Veblen (1899), an institution is a system of thought, a criterion for behavior, and a set of principles of power and wealth common to the majority of people. There is also the belief (Commons, 1934) that institutions consist of the way in which collective behavior determines and controls individual behavior.

As the key to developing and operating the economy, the government is the foremost tool for promoting collective action and introducing changes.

The legacy we call culture. Here culture is understood from the western perspective as something handed down from one generation to the next. Culture influences behavior via the teaching or imitation of knowledge, values, and other essentials, including custom, tradition, morals and ethics, and ideology.

The most significant of these is ideology, which encompasses values, ethics, moral concepts, customs, and mores.

The division of rules into formal and non-formal ones is simply a means to facilitate discussion. In practice, the influences of the two on the interests and activities of people can hardly be separated from each other. The implementing mechanism may be defined as the operating system under which the formal rules and non-formal rules are implemented. The effectiveness of any given institution depends not only on the formal and non-formal rules, but also on whether the implementing mechanism is capable of functioning effectively. In this regard, the three parts of an institution may be seen as mutually dependent, since the absence of any one of them would make it impossible to bring their functions into play.

The Theoretical Implications of the Economic System

The economic system is a fairly controversial concept. According to M. Bernstein (1988, p. 7), the economic system consists of what should be produced by society, how society produces and distributes, and the means and method by which resources are allocated.

E. Newberg (1984, p. 9) views the economic system as a mechanism by which economic decisions are made in the fields of production, consumption, and distribution established by society, which includes rules governing distribution and the right to economic decision making.

While Veblen (1899) believed that the economic system involves a series of cultural factors, F. L. Fryor held the view that the economic system includes such formal and non-formal rules as structure, organization, law and rules, tradition, and values.
Comparison and analysis have shown that the economic system is in essence the standards for economic operation, and these standards are determined by a number of institutional essentials. The essentials capable of distinguishing between different economic systems include the following: the power rules, the manner by which resources are allocated and the preference for cultural value.

The power rules. By “power rules” we mean the distribution of the right to make decisions, which plays a dominant role in the economic system. Owing to their different aims, there is often friction between the interests of subjects. In a country of multiple interests, the government is both the subject of state power and the behavioral subject of the economic system. The economic power and political power of a government are closely combined. Since the government is the highest representative of public interests, its rational objective is to resolve contradictions among subjects and maximize public interests. Hence, the government naturally regulates the relationship of interests among economic subjects on behalf of the public.

As S. P. Huntington (1968) said, by public interests we mean the interests of public institutions as a result of institutionalization of the government. In particular, the institution of the central government realizes public interests by making possible improvements in the macroeconomic environment. Strengthening the authority and institutionalization of the central government provides a solid foundation for the operation of the economic system. Needless to say, power rules can be regarded as balanced when specific institutional arrangements contained within them balance the interests of the subjects.

The manner by which resources are allocated. Since resources are limited, they must be properly allocated. The objective of resource allocation can be realized through currency circulation and price signals, but it can hardly spontaneously yield optimal effects. Resource allocation may also be regulated by the planning mechanism, but resources may not necessarily flow to highly efficient production departments, which can result in low or no efficiency.

Here the price mechanism and power mechanism come into play. The superiority of a government consists in its ability to do things at lower cost than private enterprises. But the operation of a government mechanism can prove costly. Government intervention is effective only when the cost of the administrative solution is lower than that of the market solution.

In modern society, administrative intervention has already become the basic means by which resources are distributed. Resource allocation in a balanced state requires that the position and role of each of the subjects in resource allocation be made clear. It should also work to maintain the effective regulation and control of economic resources by the central government to enable social development. Resource allocation can be regarded as balanced when specific institutional arrangements enable subjects to balance interests. The limited nature of market regulation occurs when only exceptional marginal income is emphasized at the expense of social marginal revenue. Hence, the government’s regulating role in resource allocation.

The preference for cultural value. The existence and development of culture is closely related to the economic system. Economic systems contain preferences for cultural value that constrain the behavior of the subject. If an economic system is not grounded in reason, it will lack the motivation to operate. Once a cultural preference becomes the standard for observable behavior, there is less friction and greater social, political, and national cohesion. Although culture, as a concept, may be incapable of changing the world, it can change people, who in turn can change the world (Jiajie, 1994, p. 93). It should be noted that, in an economic system, the preferences of various economic subjects are in conflict insofar as they are based on different understandings of value.

As far as the government is concerned, the problem
of synthesizing individual preferences appears to be paramount. The preference for cultural value in a balanced state should contribute to the harmonious development of the interests of the subject and society. When providing an institutional framework for values, the government should satisfy the subject’s rational requirement for interests and guide the subject toward positive social development.

The Logic of Association between Institutional Balance and Political Stability

The basic content of politics is the regulation of the relationship of interests among people. It is the function of politics to formulate rules. Therefore, a government should use institutions to standardize the interest-based behavior of people to maintain political stability. Lack of perfect institutional constraints often results in interest-based behavior that is disordered, leading to instability. That is, the state of interests of behavioral subjects affects the stability of political systems and nations. Institutions determine interests as well as the processes and objectives of political behavior.

The economic system represents rules of the greatest ability or inability to conform. In fact, the economic system functions as the origin of social conformability (Lipset, 1993, p. 24). As an organ of political power, the government should not only function on behalf of economic goals but, more importantly, political needs. By means of a series of arrangements with the institution responsible for national economy, the government ensures that the economic sector does not endanger political stability in the form of private monopolies. Analyses of theories of state of the 20th century, especially those developed since the middle of the 20th century, show that the political function of states in comparison to the economic function is relatively insignificant. This is due to the great changes that have taken place in the 20th century regarding how countries are ruled. As a means of maintaining political stability, suppression by violence has gradually shifted to economic and cultural control and management. Thus, the means by which governments arrange economic institutions is closely related to political stability.

As a standard for judgment in economics, the balanced state helps us understand the world. David Easton (1953, p. 139) believed that the theory of balance is a valuable concept for drawing analogies between the political activities of balanced states. When it is thought not worthwhile to change the proportion of authority value allocation of a political system, this moment is called the range of “degree” of the balanced state. Here, balance clearly refers to price balance or interest balance, while institutional balance is the range that marks the “degree” of the state of the institution. Only institutions in a state of balance will display characteristics conspicuous enough to bring the function of political stability into play. An institution is designed to constrain the subject’s behavior so that individual interests will identify with public interests.

As Buchanan pointed out (1989, pp. 285-286), the full meaning of the study of institutions lies in the importance of ensuring that all constraints, practices and organs will be capable of reducing selfish political behavior. The two are inseparable insofar as both are necessary to form a balanced institutional state and realize the balance of interests. Obviously, institutional balance implies the harmonious unification of individual and public interests. Otherwise, political stability will be affected. On the one hand, when the economic interests of the subjects of a society are balanced, people lead peaceful lives. On the other hand, when interests among subjects are unbalanced, they often destabilize the political sphere in the form of social upheavals (Guoguang, 1988, p. 10).

The Political Situation in the Traditional Economic Structure

An Examination Beginning with the Power Rules

Observation of the relationship between the central government and local government shows a unidirectional order that may be described as a relationship of obedience. The central government relies on political authority to ensure that the local governments carry out all its instructions. In the nearly 30 years from 1949 to 1976, there were no definite rules for income allocation between the central government and the local govern-
mments. The property income of the central government depended on the number of enterprises directly under it and the proportion of the profit turned over (Zhang, 1996).

Despite the four adjustments of power made by the central government, the institution of power operation is inadequate, resulting in repeated disordered power relationships as soon as power is delegated to lower levels, and a standstill when taken back. Although power was twice delegated to lower levels, local governments did not obtain real power because these were only expedient measures taken by the central government to decrease economic pressure. Even during the period of the “Great Leap Forward,” the central government still controlled 80 percent of the profit of the enterprises handed over to local authorities (Fang, 1984, p. 459-472).

In addition, under pressure from a structure of highly centralized power and ideology, the economic functions of the local governments were restricted, which made it impossible for them to seek the political support of the central government.

Analysis of the relationship between the government and the enterprise shows that, when deprived of autonomy and subjects who maintain independent interests, the enterprise has to submit to national planning with products allocated by the state. It has neither the function of investment making nor the function of management. Although the collective enterprise has a certain degree of autonomy, it lacks the market mechanism; its source of material, product marketing, and credit all depend on the national plan. The economic relationship among enterprises is not regulated by the law of economy but is established and adjusted by administrative orders of the government. The government exercises unified state control over the income and expenditure of enterprises, forming a state monopoly of the purchase and marketing of products and unifying the allocation of labor, materials, and techniques.

Furthermore, the phenomenon of “isomorphism” exists between the government and enterprise. That is, an enterprise is required by the government to set up an organ corresponding to that of an administrative department. The government controls the production and management of an enterprise, the distribution of property, the hiring and firing of staff and workers. The enterprise “eats from the same big pot” of the government and is not responsible for either gain or loss. The government department responsible for the work decides the appointment and dismissal, promotion and transfer of officers of an enterprise. Rather than extending to the social domain, the adjustment of power between the government and an enterprise is confined to relationships between the central and local governments. An enterprise can only passively be attached to the central government or local governments. The subordinate relationship of enterprise to the government has not fundamentally changed.

Examination of this structure shows that it establishes a power relationship between the government and the individual that stresses public ownership. It prevents individuals from owning the assets of an enterprise, thus weakening the association between the behavior and responsibility of the individual. In principle, the people have ownership of the means of production, but in reality they do not have the right to use or dispose of it. The government that exercises ownership on behalf of the people also owns the right to use and dispose of the means of production.

Consequently, producers become indifferent to their right to use and dispose of it. The government prioritizes uniformity as one of its objectives. People are not permitted to behave beyond the boundaries established by the government, even to the point that they cannot choose their own profession or job. The initiative and creativity of individuals are suppressed, which may lead to feelings of passive antipathy and antagonism. When a relation of attachment is formed between an individual and his affiliation, the affiliation has the right to control an individual, who, apart from it, may have no way to survive or develop. The attachment of an individual to his affiliation is in essence his attachment to the government.
As Lucian Pye has pointed out (1991), no country other than China praises the state to the neglect of the individual. The Chinese invariably endow the state with supreme authority to which the individual remains subordinate.

The rigid system of traditional centralized power lacks flexibility and initiative, which leads to ineffective control and sharply reduced efficiency. This is manifested in, first, the monolithic nature of the administrative hierarchy. Since the government cannot effectively control minor economic activities, the administrative power of the state and the administrators erode in the operating process. Consequently, the state lacks effective constraint over the enterprises, the constraints over the budget soften, and large amounts of state-owned assets, for which no one can be held responsible, get lost.

Second, the traditional centralized power reduces the efficiency of administration. Direct control by the central government over a behavioral subject above the middle level amplifies control so that the rationality, accuracy, and effectiveness of control are all reduced. Mistakes in the policies of the central government mushroom into national disasters because the middle levels are missing, as the “Great Leap Forward” and “Cultural Revolution” clearly demonstrated. Furthermore, the centralization of power leads to decision-making that depends in large measure on fortuitous individuals' qualities, hence the mistakes.

Third, the traditional centralized power leads to a dislocation of the function of administration. The government has exercised control over things that it should not control, could not successfully control or are beyond its capability to control. On the other hand, public affairs such as social administration, social security, and social welfare that should be undertaken by the government have been handed over to organizations at the grass-roots level. Such institutional arrangements are bound to confuse the functions of the government and the grass-roots organizations — leading to the erosion of social functions and affecting political stability. The government’s power rules of hyper-control have not only restrained the vitality of development of China’s economy, but have hampered state functions from being brought into play and impaired the authority of the government. Insofar as the power rules of the traditional system have ossified the relationships between the central government and local governments, the government and the enterprise, enterprise and the individual, control is of primary importance. It is clear that the traditional system of the nation is a non-optimal order, a structure whose superficial stability stems from shallow roots. If control is weakened, there will be neither order nor stability.

**An Examination from the Perspective of How Resources Were Allocated**

Under the traditional system, the government monopolized the greater part of the essential resources. The government took on the function of controlling essential resources in a direct and all-encompassing manner. The resources were supplied through the systems of the commune, affiliation with a workplace, and the ID card to ensure the implementation of a plan.

The government established the commune system, an organizational system of political power at the grass-roots level in rural areas, to prevent agricultural and sideline products from competing and to ensure that agricultural produce would first be allocated to the industrial field. This quasi-militarized control system conformed with the economic requirement of the state that peasants be stabilized on the land. The government became the authority and beneficiary of the land, labor force, and capital through institutional measures, such as instructional production plans, the unified purchase and marketing of products, strict prohibition of long-distance transport of goods for sale, and restrictions on free commercial trade. The government also wielded authority by closing down the markets of essentials in the countryside and controlling the flow of urban and rural area populations, thereby monopolizing and controlling the essential resources of the rural areas.

However, the stability brought by the highly centralized communal system was fragile, achieved at the
expense of stagnating socio-economic development in the rural areas. The operation of economic resources in the rural areas entered into a closed state, which restricted the rational flow of production essentials, causing faulty resource allocation. In spite of 30 years of development, China’s rural areas have not been able to overcome poverty and backwardness, which seriously threaten the foundation of political stability at the grass-roots levels and make it difficult for the state to realize its aims for rural area leadership.

The state had members of urban society join various organizations called affiliations. Each affiliation had administrative affinity relationships and administrative ranks and was subordinate to government organs according to these relationships. The organizational system of the Party, too, was extended to the grass-roots units along with the administrative system, creating the dual system of political power characteristic of China (He, 1998). Through the unit system, the state took possession of essential resources and strengthened control at the grass-roots level, in effect depriving the grass-roots units, especially enterprises, of resources and the right to decide how to allocate any resources they did possess. Thus, the state did not gain control of society by directly confronting members, but by the unique phenomenon of the unit system. The stability of the unit system remained inherently superficial. Specifically, the assets of the units, which were permanently possessed by society, dwindled as a consequence of the central state. If the unit suffered losses, the state could only assimilate the losses through subsidiary, additional input, or by permitting the unit to raise the price of products. Since the state, due to the bankruptcy of the unit, had no way to bear the political and social consequences, it could only cover up the latent factors of instability.

In terms of the “system of identity” of the planned setup, members of society were artificially divided into three major categories, namely the state cadres, workers and peasants. The status they held in the economic structure determined the quantity and manner in which they obtained their means of subsistence. With regard to income, the annual wages of 13th administrative rank cadres before 1978 was 1,900 yuan, 5.6 times higher than the annual income of a rural laborer during the same period (National Bureau of Statistics, 1986, p. 197).

Moreover, for members of different status, the differing levels of things such as working conditions, medical care, housing, retirement, education of children, and employment became even more apparent. In addition, the government had formulated a strict system of rationing means of subsistence according to household registration. Combined with the “communal system” in the rural areas and the “unit system” in cities, members of society were held under powerful administrative control. Such control prevented essential resources from flowing rationally. Moreover, the discriminatory nature of the system of distribution fostered estrangement and even antagonism among the members of society, thus hampering the benign operation and coordinated development of the social system itself.

Ultimately, the system restrained the creative power of members of society, led to feelings of aloofness by members of society at the socio-political center, and endangered the social foundations for political stability.

An Examination from the Perspective of Preference for Cultural Value

The transformation of the values of the traditional system by the government had an impact on the essentials of traditional culture. Occurring at a moment of transition, the impact reflected the value preference of the period and can be distinguished from both traditional culture and modern culture.

First, in traditional Chinese society, the interests of the group had the greatest value: The individual regarded the interests of the family as his/her own, and the interests of family were considered inseparable from...
those of the state. Following the founding of the republic, the government carried forward this mode but transformed traditional culture into cultural value preferences adapted to the planned economy system, re-adjusting values to take the interests of the integration of organization and state as one's own. This concept of value overemphasized the group standard while negating the individual's rational pursuit of values, turning personal value into something cast in the mold of traditional ethical standards and turning group value into little more than an empty abstraction. This aspect of value also hampered individuals' development and prevented them from fully expressing their personalities.

Equalization, another typical social value of traditional Chinese life, eliminated the differences between poor and rich. Although equalization has played an active role in bringing stability and development to society, absolute equalization has also brought China untold negative effects. The phenomenon of equal distribution of resources after the founding of the republic, known as the “communist wind” (or the practice of equalization in the name of communism), led to indiscriminate requisition of manpower, land, draught animals, farm tools and funds. Equalization meant that the income of staff and workers did not accord with the benefits produced by their enterprise. Such an understanding of values stunted initiative, failed to fundamentally realize social justice, and created an impoverished socialism. Chinese Confucian scholars also emphasized social utility above material interests. Despite its moral value, this view is not free from negative effects. Although such values were challenged after the founding of the republic, the Confucian concept of negating “egoism” while stressing “altruism” developed into an all-round negation of personal interests in the field of ideology. This negation in essence destroyed the balance of interests among subjects, thereby pushing the valuing of justice above material gains to an extreme.

Finally, the integration of politics and culture in traditional Chinese society determined the unidirectional character of how people understood value. After the founding of the republic, the economy was unified by the planned structure of the central government, providing the institutional condition for the formation of unidirectional thinking. Leaders determined the standards for judging the value of things. A mentality of “leadership above the truth” prevailed, and the desire to seek truth from facts vanished. With respect to value behavior, the enterprise, which functioned as a unit of the state’s network, cultivated an inertia that forced excessive reliance on the state plan. Higher unidirectional reliance resulted in lower individual independence. While ensuring the thorough implementation of the will of the state, this dynamic has also created ossification and lowered the efficiency of the economy.

**A Systematic Analysis of Political Stability in the Transitional Period**

**Changes in the Power Rules and Political Stability**

In a sense, changes in the economic structure redistribute power and alter the framework of interests. When pushing market reform, political stability depends on whether institutions can adjust and balance power rules.

With regard to the integration of central and local powers, the central government adopted a fiscal responsibility system characterized by decentralization. The system lacks a power limiting mechanism for the local government, however, leading to local protectionism, limiting market competition, and reducing the ability of the central government to balance the development of the economy with national integrity. Hence, the expansion of narrow local interests has weakened the financial and material capabilities of the central authority as never before.

The changes in China’s financial system decreased yearly the government’s revenue as a percentage of
As the management mechanisms undergo transition, some enterprises have diverted depreciation funds and over-borrowed at the expense of state interests.

of which contribute to political instability. Neither simply reducing the number of government cadres and delegating powers to lower levels, nor centralizing of powers by the government, helped adjust the power relationship between government and enterprise. While the former jeopardized political stability, the latter sacrificed efficiency. Furthermore, in the transitional period, the government burdened state-owned enterprises with economic, political and social functions. If the government reallocated enterprises completely to the market while lacking the associated institutions, the enterprises would certainly abandon certain social functions, e.g., running schools, hospitals, nurseries, and social insurance. At the same time, the government was unable to undertake the social functions alone, leading to the loss of part of the social functions. In recent years, organs of state power have suffered from assaults by staff and workers who object to endowment insurance, unemployment, and medical care. If unresolved for long, these problems will seriously affect the normal operation of the political order.

Regarding the integration of government power with individual power, at the beginning of reform, the institution of the government met the institutional demand of individuals to become the subject of interests. But the unbalanced institutional provision generated political instability. This occurred because, on the one hand, the government solved the problem of the motive force for economic development through its institutional arrangements, while, on the other, it generated the kind of egoism that can disrupt the order of social life and threaten the political system of society.

Second, the government introduced the principle of competition into economic life through institutional provisions, but competition was very like a "double-edged sword." If government control was not strong enough, undesirable competition and chaos would damage the operating order of the political system.

Thirdly, during the transitional period, the government made it possible for individuals to unburden
themselves of the yoke of the planned structure and freely develop. But the “rigidity” of interests in the market economy, in turn, narrowed the attention of people at the expense of the future, goading them to engage in speculation while keeping them from consciously observing social standards. Valuing material gains above justice led to friction between their immediate and long-term interests, increased contradictions among interests, and ignored the operation of the political system.

Changes in the Allocation of Resources and Political Stability

According to Peter Brawer (1988, p. 116), as a political system rationally distributes resources, it wins the affirmation and support of the people, balancing interests and thus ensuring social and political stability. For China’s rural areas, however, the government has provided autonomy to allocate resources, inadequately controlled rural resources and intensified the problem of stability in those areas. In particular, the shift en masse of surplus labor to non-agricultural sectors, and the flow of people from rural areas to cities and towns, has become the biggest problem of China’s economic and social transition in the new century.

As the government did not have sufficient time to adjust and adapt, peasants developed feelings of vindictive estrangement toward society. This estrangement presents a serious challenge to social order. The floating agricultural population and the rate of criminal and other anti-social behavior has become an apparent cause of social disorder.

In addition, given the current uncertainty regarding ownership of land, the government finds it impossible to monitor land and those engaged in land management effectively. At the same time, numerous forced changes have occurred in the ownership of land. For instance, in the invitation for bid, lease, or auction of the right to manage four kinds of wasteland (abandoned beaches, barren mountains, uncultivated land, and wasteland), the government stipulated that anyone who made the highest offer would be given the right to manage. The stipulation caused an uneven concentration of wealth in the rural areas. Stability in the rural areas in China threatens political instability (Deng, 1987).

A look at the cities shows that separating the functions of the Party branch from that of enterprise management does not mean that owners and managers share the same interests and value objectives. If the government’s monitoring of and control over state-owned assets is not strong enough, the manager may steal state-owned assets. For instance, an enterprise may take advantage of imperfect tax law to evade taxes in the course of changes in property rights, vaguely defined property rights, and changes in revenue structure. This opportunistic situation can destroy the value of state-owned assets and weaken the material foundation by which the government adjusts and controls society.

As state-owned enterprises reduce staff to increase efficiency, Party and government institutions also cut down on staffing, increasing unemployment in cities and towns. The surplus force will be difficult to transfer and absorb; there will exist more people waiting to be employed or reemployed than there are opportunities of employment. As the number of impoverished people increases, disparities between the rich and the poor will grow, aggravating an unfair distribution of resources in society. If the government fails to take adequate measures, the imbalance will bring with it a series of problems, such as the “unbalanced state of mind of social strata,” theft and robbery, pornography, gambling and drug addiction, criminal syndicates, and anti-government behavior. The cost of government operation will increase, worsen the social environment for reform, and render society vulnerable to abrupt instability.

China’s decision to pursue progressive institutional changes and economic reform, while dominating the means of resource allocation, may lead to friction and contradiction in the distribution of interests. To begin
Essential resources from the less developed mid-western areas flowed into the more highly developed coastal areas.

Changes in Cultural Value Preferences and Political Stability

The introduction of a market economy is bound to conflict with certain cultural value preferences that are deep-rooted and generally recognized by the public. With the quickening of the pace of development to a market economy in China, ethics in economics have been shattered, which may affect the interests of certain people and result in a crisis of belief, depression, and moral degradation.

The political effects of individuality and value preferences. During the period of economic transition, the government used mandatory regulations to push the economic subject to relatively independent status. However, when the individual with interests broke free from the non-economic fixed relation of reliance, there emerged the possibility of extreme expansion of individuality value preferences, developing the problem of extreme egoism whose negative effects cannot be treated with indifference. If the government does not guide the economic subject's understanding of value and value behavior through appropriate channels, cultural value preferences will be in an unbalanced state. Social and political stability will lack the principle of cohesion.

The political effects of efficiency value preferences. Since the economic subject is keen on efficiency, he/she is bound to require that the market get involved in the domain of distribution to broaden the income gap and create a mechanism of incentives. But this, too, may lead to polarization that can cause fears of instability and crisis in society. When such a social mentality is transformed into extremes by certain incentives, there will be social unrest or disorder that is likely to trigger political crisis. Emphasis on market efficiency is bound to lead to the anxiety to achieve quick success and get instant benefits, which conflicts with the mid- and long-term interests of the state, and may cause the macro-economy to spin out of control and affect social and political stability.

The political effects of gain-seeking value preferences. During the transitional period, some of the subjects of interests value the search for profit and money above all else. Utilitarianism and pragmatism have become the order of the day, and money the basis for measuring the value of things. Hence, such negative
phenomena as swindling, kidnapping and abduction, forgery and fraudulence, smuggling and prostitution, drug addiction and drug trafficking that have been kept in check for a long time have re-appeared. The nascent popular culture still in the process of development is turning into its opposite under the action of speculation capital and a handful of upstarts. In fact, a few people, forgetting all moral principles in favor of profits, tread on the legal system and morality to harm the public and society. Although the institution itself is not completely to blame for these phenomena, the unbalance between provision of and demand for institution is one of the root causes.

Institutional Balance: The Foundation for Political Stability in the Transitional Period

The Government as Institution Providing Subject

As the representative of public interests, the government has the power to coordinate the interests of all quarters and arrange compulsory institutions. The mandatory power of the government makes it possible to compensate for the interests of the innovator. The marginal income obtained by the innovator for his/her innovative behavior will be close to the social integral income, thus maximizing social welfare. At the same time, the government can also carry out mandatory institution innovation without unanimous agreement of the members of society, saving the high cost of consensus of opinion. The commonality of the government itself lies in that it is the most appropriate producer of public articles and can obtain fairly large-scale benefits. As it is, in the non-Pareto evolution of an institution, more often than not there are some mandatory elements. Furthermore, whatever the political system, the government is always the principal provider of an institution. Whether for the maintenance of an old system or the implementation of a new one, the mandatory power of the government provides the foundation. As long as the character of reform is non-Pareto, the reform is very likely a certain kind of mandatory reform (Sheng, 1994, p. 50). No matter how dissatisfied the subject of behavior involved in the institutional innovation may be with the mandatory changes in the institution, he has to be constrained by the mandatory power of the government. The government can force through a scheme that cannot be solved or is hard to solve through negotiation. The mandatory power of the government originates in its lawfulness and the government will not impose any institution unless it has the support of the majority of the people.

The institution provided by the government takes the balance of the maximization of social interests as its rational objective. To this end, the government takes advantage of its lawfulness and authority to regulate irrational phenomenon and provide an institution at the macro level. When pushing forward institutional innovation or providing an institution by resorting to the administrative mandate, the government is the crucial productive resource. The provision of an institution by the government as an embodiment of institution is of importance to the welfare of the country. The operating rules of market economic structure as an institution will not occur spontaneously, and even if they do, there is no way to guarantee that people will observe the market operating rules of their own free will. As Kari Polanyi (1957, p. 140) said, as a result of the steady expansion of centralized interventionism, the road to the free market was opened up and not closed down. By mandatory institutional change is meant changes in the dominant institutions provided by the government, that is, arrangements for new institutions within the statutory range. Not only does the government enjoy absolute superiority politically, it can also constrain the behavior of other subjects of interest in varying degrees. It is thus clear that the government is the subject of the provision of institution.

The Positioning of the Government's Economic Functions

In the days of socialist planned economy, the government monopolized all the means of production and economic activities on an unprecedented scale. The decision makers and executives of the planned structure attempted to work material miracles that would surpass the capitalist market in terms of economic achievements. However, such an illusion resulted in poverty and backwardness. When reconstructing a market economy on the unique framework left over by
the traditional structure, none of us could avoid rethinking the economic functions of the government.

First, if we adhere to the low efficiency of a planned economic structure, the realization of the interests of the subject of micro-economic behavior and China's overall political stability would lack the necessary foundation of a motive force.

Second, to establish and perfect the economic structure of the socialist market of China, we should ensure that the laissez-faire days of "governing by doing nothing" and of playing the role of a "night watcher" are behind us. We must never revive the unbridled free market economy. The socialist market economic structure combines government intervention with market regulation to enable the market to play the foundational role in resource allocation under the macro-adjustment and control of the country. To this end, it is necessary to establish a system of modern enterprises with clear-cut property rights, distinct powers and responsibilities, separated government and enterprise work, and scientific management as required by the market economy.

Third, to optimize the allocation resources it is necessary to set up a market system open to the whole nation, one that combines the urban market with the rural market, and links the domestic market with the market abroad. In addition, it is advisable to transform the government's function of administration of economy by continuing to prioritize efficiency while giving consideration to fairness. The transformation should establish multiple forms of systems of distribution, such as the distribution according to work or on the basis of essentials to encourage some people and some areas to get rich first so that all the people will be on the road to common prosperity.

Finally, it should establish a multi-level social security system to promote economic development and social and political stability. As such, the market economy with Chinese characteristics is far superior to the western economic mode, its components being "market economy + government intervention + social security" and its characteristic, the combination of a market economy with government intervention (Yuan, 1999). Making macro-regulation and control the functions of the government is the key to realizing institutional balance in China during the transitional period.

In the several thousand years of China's history, the state has been in the ruling position. Historical experience has shown that the weakening of the powers of the central government can only disrupt the political superstructure and interrupt the progress of economic prosperity and social development. A state with definite economic functions is the historical precondition for ancient China to step into modern society. The practice of China's planned economic structure continues the tradition of the "concept of state."

In years immediately following the founding of the republic, the rapid development of China's economy was attributed to the dominant role played by the state in the process of socialist industrialization. The sustainable development of China's economy and political stability was affected by the institutional arrangement for an "all-round type" government. Later, the reality of communist countries required that the influence of the state on economy be combined with the subject of market economy and the self-development of the market relation. But this does not imply that the state would give up its regulation and control of the macro-economy.

If the government neither regulates economic activities nor supervises the economic process, it creates the conditions for social and political instability. The economic reforms carried out in Eastern Europe and Russia have had destructive consequences because the responsibility of the states involved has been too restrained. On the one hand, it is imperative to break the shackles the traditional, centralized system of the state has placed on economic development, and on the other it is important to uphold new forms of national authority and bring the state into the process of establishing the market and developing the economy. In China, no force is more authoritative than the government in promoting the formation of market economy.
If a country gives up its economic functions prematurely, especially the macro-function in the transitional period, the result can only be a loss of control of market reform and political instability.

**Institutional Balance: The Countermeasures for Political Stability during the Transitional Period**

As China develops its economic market, it is crucial to unify institutional provision and political stability. Needless to say, insofar as institutional provision requires a stable political environment, it is conducive to political stability. That is, without a stable political environment, the achievements of institutional provision may be destroyed. Unlike the solid state under the traditional system, the political stability required in the process of operating a market economy is dynamic. In modern society, the objective of political stability is "stability — orderliness — development" (Yuan 1999). The exercise of control over the social and political order is to seek stability with development as its ultimate objective. The means of maintaining order depends on whether the means is conducive to development or not. The key to avoiding political instability in the transitional period lies in whether the government has the ability to control, coordinate and adapt. Unlike western countries, the developing countries did not begin to develop their markets until after they were founded; in western countries, the state emerged in company with the process of market development. The government of the developing country and its provision of institution play a decisive role in the process of development of economy toward the market because a thriving market economy depends on institutional support. Those countries that had centrally planned economies lacked, during the process of transformation, exactly these institutions. The imperfection or lack of an institution has thus led to loss of political order. In other words, political order is the consequence either of a low degree of institutionalization or a low degree of recognition of an institution.

By institutionalization we mean a behavioral mode that is stable, respected and recurrent, while a low degree of institutionalization implies the inability to actively respond to various challenges from the outside world and to effectively perform integration. Of course, when there are people who recognize no institutions, or have even developed antagonism and resistance, it will be impossible to standardize social behavior and hard to maintain a stable political order. Political stability is achieved by relying on the government's selection and provision of an institution. The development of market requires that the government bring its economic administration function into play to build a balanced institutional structure. The institutional provision by the government includes the provision of law, structure, policies and cultural value.

**The Provision of Law**

In modern society, as special social rules formulated or recognized by the state, law has become a significant tool for political control and the general standards for constraining arbitrariness. Apart from its class character, law has a social character, most obviously the social character of economic law and regulations. The law, rules and regulations provide the criteria for all the activities of an economic subject. It is the task of law to protect all social interests and maintain a certain balance or harmony among these interests (Bottome, 1987, p. 147). The essence of all institutions is interests and, without exception, the precondition for the existence of any laws and rules and regulations is that they can standardize people’s behavior in relation to interests. In the transitional period, the purpose of the Chinese government, which regulates and controls the economy by legal means, is to constrain the behavior of the subject of interests to conform with the common behavioral standards, both promoting reform and development and protecting political stability. Specifically, the purpose is to determine the behavioral standards of the market and recognize its rights and obligations. The market can pursue its interests only on the premise that it will not damage public interests. Compared with legal standards of a restraining character, the present legal standards have a higher quality of guidance and are more balanced with the institutional standards. When an economic subject keeps its behavior in conformity with legal standards of its own accord, the factors of political instability occurring in
As China develops its economic market, it is crucial to unify institutional provision and political stability. Second, the system of social security should be perfected. The imbalance in interests brought about by restructuring will inevitably cause certain social groups or members of society to lose vested interests or enjoy relatively less social interests for the time being. For instance, the merger or bankruptcy of enterprises in the process of market development will leave certain staff and workers impoverished. If the interests of such groups or members of society remain uncompensated for long, dissatisfaction and indignation will turn into destructive forces for political stability. Therefore, the government ought to redesign the system of social security by providing corresponding institutional arrangements for guaranteeing equal enjoyment of benefits.

Third, the management system of the property rights of state-owned assets should be reformed. This means separating the “four rights” from the government and handing them over to the relatively independent multiple subjects for their exercise. That is, the government exercises the power to manage the economy, and the National People’s Congress exercises the power to own the state-owned assets on behalf of the people, while the power to manage state-owned assets entities should be exercised by the micro-economic subjects. The management of the state-owned assets property rights belongs to companies dealing in state-owned assets. The government should break away from the management of miscellaneous affairs, abandon state-owned assets, and concentrate on administrative supervision to ensure that the rights and interests of state-owned assets will not be encroached upon, thus laying a solid material foundation for China’s lasting stability.

Fourth, the macro-management and coordination mechanism of the flow of population and labor force should be developed. During the transitional period, China is confronted with the enormous pressure from the flow and transfer of surplus labor, which, objectively, asks the government to give guidance and coordination at the macro-level so as to promote the orderly flow and transfer of population and labor. At the present time, the government should accelerate the process of urbanization in a planned way by creating...
the corresponding mechanism. It should develop medium-sized and small cities and towns as source of economic growth and the cornerstone of a stable future society, thereby maintaining the sustainable growth of the national economy. At the same time, it is necessary to open channels of population flow to prevent social upheavals caused by abrupt population flow. The government should encourage private and individual businesses so that they can provide positions to the jobless and eliminate discontent among the impoverished.

**The Provision of Policies**

During the transitional period, many contradictions in interests and conflicts cannot be coordinated and solved owing to imperfections in the legal system and institutions. Objectively, this requires that the government fill the vacuum of missing institutions by means of policy provision. The essence of policy is the concentrated reflection of the relationships of social interests. The differences in interests of people directly lead to contradictions in the interests of subjects. The government should intervene and coordinate the contradictions in interests of the subjects to form a rational framework of interests. It should be noted that the market economy takes the direction of interests as its objective and interests as its driving force. The market economy recognizes the difference in interests of the subjects and encourages the subjects of economy to seek the maximum interests. However, coordinated social and economic development requires a unified objective. The government that represents the overall interests of society should intervene in economic life by incorporating independent decision making to encourage the economic subjects to seek interests. The attribute of political value in China's market economy has determined that the economic development is built on the foundation of political and economic systems different from those in the capitalist market economy. But the spontaneity of the market mechanism will aggravate polarization. The government should adopt balanced economic policies to perform macro-regulation and control. The government regulates the excessively high income of subjects through its tax policies and helps those in the impoverished stratum sustain themselves. The government can also regulate the percentage of tax and strengthen the invigorating function of the impoverished subject by providing special policies. It can encourage investors at home and abroad to develop poverty-stricken areas to help improve the economic habits of the impoverished to eliminate the economic disparities that endanger political stability.

**The Provision of Cultural Value**

The institution of cultural value is the order intrinsic in the economic structure. It has become the precursor of political stability by influencing the mode of behavior. The purpose of the government in regulating and controlling cultural value is to guide the interests-based behavior of the economic individual in a direction helpful to the public interests of society. Such regulation and control of cultural values not only negate and restrain the motive force of individual behavior but standardize and guide it to conform with the principles of public interests. Since market economy needs a fairly high cultural content and moral standards, it is important for the government to push forward reform in the educational, scientific and cultural system through effective provision of institution. Such a provision of institution can strengthen quality education, help popularize science and technology, enable culture to flourish and fashion public opinion into a wholesome and enterprising cultural value.

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Abstract: In the 1980s, China began to implement a civil service system to establish a market-oriented economy and foster reform of the politico-administrative system. This modern civil service system was designed to replace the traditional cadre personnel system, which, structured around a centrally planned economy, originated during the period of China’s revolutionary struggles. Focusing on this historical transition, this article explores the relations that persist between the two systems and asks how and why the modern civil service system came into being at this time.
The Need for Change

Economic reform has proven indispensable to fostering changes in China's civil service system. These changes have, in large part, developed out of the transition from a planned economy to a socialist market-oriented economy (Yang and Li, 1998; Chen, 2001).

As China began to pursue new economic objectives, many practices inherent in the traditional system have been exposed, failing to adapt to the requirements of a socialist market-oriented economy (Fang, 1997; Zhang, 1997).

First, the excessive role of government inflated the number of working personnel. Under a planned economy, the government not only assumed an excessive economic function, but also intervened in social activity, thereby increasing the need for staff. Not surprisingly, the government's expanded functions resulted in inflated, overstuffed organizations.

Second, insofar as a planned economy does not clearly distinguish between the spheres of government and enterprise, corruption occurred. Economic activity had an administrative style, and many enterprises were not in the light of the regularities of markets, but under restrictions imposed by various sectors of the government. The government took charge of all social resources and could affect economic activity at will. Given the ease with which the government had access to the economy, financial dealing took place on the basis of power relations.

Third, since the government regulated not only economic, but human, resources, qualified personnel often found their professional mobility restricted. During the period of the planned economy, social relations in China were conflated into two basic camps: cadres and masses. While belonging to the former was regarded as honorable, membership in the latter was not. For a long time, enterprise units, institutions and mass organizations set administrative ranks in accordance with those in the Party and government offices. Lacking objective classification, this wholly-unified management encouraged an increasingly administrative style that erased the distinctive features inherent in every occupation. So conceivably, it would be hard to make a real assessment about how respective personnel systems in different sections work.

The traditional personnel system has not only proven unable to adapt to the market economy, but also unable to adjust to the structural changes occasioned by its development (Yang, 1997).

First, the socialist, market-oriented economy streamlines organizations and promotes mobility, thereby enabling qualified personnel to find appropriate positions. This improved administrative efficiency has provided a foundation for the emergence of a modern civil service system in China. Admittedly, in the past, vicious cycles of organizational reform occurred because the government manipulated enterprises directly and developed an elaborate and strict division of enterprises. At present, the government must streamline administration and transfer power to lower levels. Furthermore, owing to the role of the market mechanism and the principle of initial mutual choice, a change in industrial structures leads to a deepening differentiation of every occupation and more mobility of human resources, which have both built a good social foundation for a group of prospective civil servants with high ability.

Second, the socialist market-oriented economy facilitates the implementation and development of the rule of law. In other words, the special interests of administrators have been challenged as a consequence of concrete, written rules and regulations. That is, the phenomena of inflated authority in administrative occupations can be kept under control. Thus, implementation of the rule of law achieves better performance and, consequently, saves operating costs.

Third, the socialist market-oriented economy, which prioritizes efficiency, ensures that the scale of government functions remains appropriate. In this regard the civil service system displays its full significance and is scientifically justified. It is believed that only appropriate-scale societies can mobilize individuals to seek their best interests, effectively utilize the market mecha-
anism, and at the same time eliminate its inherent defects. Put briefly, it would seem that, as both prerequisite and guarantee, civil servants must remain honest to restrain bureaucracy and prevent corruption.

**A Brief History of Civil Service Reform in China**

Significantly, the civil service system is only one part of a broader personnel system. In fact, it comprises two different categories, with the latter having a wider implication.

Implementation of the civil service system has provided a channel through which to reform the traditional personnel system and resolve the problem of personnel management in governmental organizations. In comparison, reform of personnel systems in other fields has proceeded more slowly. Indeed, the civil service system may actually define the direction for future efforts at reform (Hou, 1998).

In light of the above, in the mid 1980s, China began to explore the possibility of establishing its own civil service system. At first, the civil service system entered the agenda by building on preliminary reforms carried out in the years immediately after 1978. In 1985, the National Functionaries’ Law was drawn up; later, it was renamed The Provisional Regulations of National Functionaries in Administrative Organs. In 1987, a central summit meeting issued a statement about the new system. Later, there came a period of practical experimentation in selected sections and areas. In 1989, six sections of the State Council took the lead in experimenting with the civil service system. By the next year, the same experiments were conducted at the local administrative level in the cities of Ha Erbin and Shenzhen.

These experiments aimed at providing helpful experience, popularizing the new system in both the central and local administrative organizations. By 1993, The Provisional Regulations of Civil Service were formally issued (Tian, 1998). At that time, it was suggested that the new system be established across the country with-

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**Competition among civil servants in leadership positions has infused new vigor and vitality into the system as a whole.**

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in an average of three years, then be continually updated, refined, and improved.

Up to now, China has made great strides toward the construction of its civil service system. Guided by the Provisional Regulations of Civil Service, the basic conceptual framework has been established, including an almost complete system of about 40 separate regulations and enforcement stipulations. Moreover, the State Council and each local governmental organization above the county level have classified positions, and the identities of existing staff members have been converted from cadre to civil servant.

Meanwhile, certain kinds of basic operating mechanisms have gradually come into being. For instance, when recruiting new civil servants it has become commonplace to select the most qualified through public examination. Competition among civil servants in leadership positions has infused new vigor and vitality into the system as a whole (Ren, 1999). The principles of “publicity, equality, competition, and qualifications” help to improve methods by which to assess the efficiency of civil servants’ work. Merit has become the basis of promotion. These mechanisms work to guarantee the honest performance of official duties and transparency in public affairs. From the outset, then, attempts to establish a civil service system have improved both the abilities of civil servants and the structure of human resources.

**Characteristics of the New System**

As previously mentioned, the civil service system has never operated in a vacuum; rather, it has emerged in close relation to the previous cadre personnel system, the influence of which must be taken into account. It is the relation between these two systems that accounts for the ongoing vitality and innovative spirit of civil service in China.

When traced to its source, the current system indeed derives from the previous system, one that remains a
The modern Chinese civil service operates by adhering to the standard of appointing people with both ability and political integrity to the proper positions.

CPC control over cadres today differs from that which prevailed during the period of revolutionary struggles. Therefore, when applying the new civil service system, it needs to be stood correctly.

It is supposed to exert itself in a more general sense, namely, attach more importance to manage personnel to the macro level, which results in guaranteeing the Party’s policies are clearly reflected and effectively implemented. Specifically speaking, each regulation should function in accordance with the Party’s cadre policy.

Furthermore, the corresponding Party Committee should recommend and verify governmental members at all levels. These members, in turn, are either elected or appointed by respective organs of power. Moreover, the Party Committees are responsible for the supervision of Party members among civil servants; with regard to non-governmental members in important posts, the Party Committee may also directly supervise when necessary. Ultimately, the principle of Party control over cadres deserves considerably more attention than can be accomplished in the context of a single article (Kong, 2001; Chen, 2000).

Third, the modern Chinese civil service operates by adhering to the standard of appointing people with both ability and political integrity to the proper positions. Such a principle can be better understood when combined with the first two principles. Moreover, the basis of appointment has taken form in the long procession of socialist revolution, construction, and reform, and has proven effective in selecting and employing qualified cadres. Specifically, “political integrity” primarily involves political thinking and character of virtue, while “ability” mainly means technical and professional skills. Candidates should possess both qualities simultaneously, but neither should be emphasized at the expense of the other. Those who preside over choosing the right person should act objectively and give no consideration to close or distant, familial or social relationships with the job candidates. For a long time, appointing people on the basis of merit was also
a basic principle of the cadre personnel system. Moreover, leaders of the civil service system in China have built on the lessons learned from the previous system; the civil service system continues to maintain a merit standard of selecting and employing personnel. In this regard, civil servants ought to be employed and ranked on the basis of both ability and political integrity. Along with political integrity, ability, diligence, and merit, the future system is expected to be comprehensive. When transferred to new posts, it is the civil servants’ responsibility to meet the qualifications — mainly those related to ability and political integrity — requisite for tenure.

Fourth, the Chinese civil service system operates on the principal of serving the people whole-heartedly. Governments at all levels in China have been appropriately called people’s governments. Whether in positions of leadership or not, and independent of how they assume their offices, civil servants at all levels in China work as public servants ready to satisfy practical needs of the majority of people. All civil servants are supposed to perform their official duties with ardor, dedication, and honesty. Rather than pursue private ends, they are expected to subject themselves to the supervision of the masses, be willing to share wealth and woe, and, in the spirit of self-sacrifice, be the first to bear hardship and the last to enjoy comfort.

In this way, civil servants, especially those in charge of people, property, and products, must keep in mind that their authority derives from the people. This principle of civil service, which has its roots in old and worthy traditions, reminds us that in China civil servants (when following both ancient tradition and modern practice) never see themselves in terms of their own interests, as employees of the government, as often occurs in Western societies (Tian, 1998).

Fifth, the civil service adheres to a classification system based on Chinese characteristics. In China, there does not exist a multi-party system, and the civil servants must not be neutral when handling political issues. Chinese civil servants do not follow the international practice of distinguishing between administrative execution and vocational expertise. In certain other countries, of course, there is a fine line between “political affairs officials” and “routine affairs officials.” However, the classification system in China differs from both the mode of “classification on the basis of office post” and the mode of “classification on the basis of individual grade” which prevail in the west. It stands out as a model that prioritizes “classification on the basis of office post” simultaneously in combination with “classification on the basis of individual grade.” Namely, it takes account of traditional individual qualifications or grade factors with the prerequisite of scientifically defining the office positions. This approach, together with the standard that appoints people on the basis of political integrity and ability, has been generally accepted and recognized in China since ancient times. All Chinese civil servants are expected to conduct themselves in accordance with the requirements outlined by the Party and government; they are expected to be skilled at both political affairs and vocational work, both ideologically grounded and professionally proficient.

Compared with the traditional cadre personnel system, the civil service system in China has not only inherited many traditions, but has also developed distinctive features to meet current needs related to reforming the political-administrative system and developing a socialist market-economy.

First, the civil service system has developed the practice of a classified management system based on scientific definitions of job scope. This countermeasure avoids the practices associated with traditional, highly centralized personnel management systems. As mentioned above, all cadres in the past were managed without taking into account their differences or unique talents, making it difficult for them to demonstrate their abilities. It also encouraged bureaucratization and even provoked serious corruption in the management of employees. In view of these points, a classified management system based on scientific definitions of scope
The civil service system fosters competition and inspires job performance assessment.

Can be regarded as the primary character differentiating it from the previous cadre system. Previously, cadres in national organs, together with administrative cadres and persons in charge of enterprises and public utilities, were all considered components of the framework of "cadres." In addition to those from national government bodies, cadres in national organs also include staff members from the national organs of power, judicial organs, procurement organizations, the CPC and democratic party organizations, the bodies of the Trade Union, the Communist Youth League, the Women's Federation and the Chinese People's Political Consultative Conference.

After careful assessment, those classified as civil servants consist only of staff members in government organizations at all levels, except office attendants. For the present, although personnel in other national organizations are run in accordance with the civil service system, they still do not belong to the sphere of civil servants. As for the cadres in enterprise and public utilities institutions, they are not involved in practicing the civil service system and would be managed according to the nature of their own circles. Thus, the establishment of a civil service system leads to both new personnel management in national administrative organizations, and an attempt to introduce a classified management system for all personnel.

Second, the civil service system fosters competition and inspires job performance assessment. The previous system lacked vigor and vitality due to the absence of competition. It was generally accepted that it made no difference whether one worked well or badly, a perspective that dampened enthusiasm and encouraged the habit of drifting along aimlessly at work. Hence, the need for an inspiring mechanism, a spirit of competition that encourages civil servants from the moment they enter management and extends to other key moments in their careers. Those who hold non-leadership posts, ranked below a section chief, must have public examinations, competed on an equal footing and been closely checked. Only those candidates who are outstanding can be admitted into the civil servant group. At the same time, in employing some civil servants who assume leading offices, ranked as deputy directors of departments or bureaus at the provincial level, many sections and units also give public examinations and select the most qualified.

As mentioned, although the civil servants' "follow-up system" has a broad sphere, "merit" is given priority. The annual follow-up rates civil servants' performance as either excellent, competent, or incompetent. Rewards and punishment, additional training, and wages are influenced by follow-up ratings. Civil servants can only be promoted to higher office with a positive or "competent" assessment of ability, practical merit and political integrity. In some cases, personnel whose performance has been outstanding or "excellent" can even be promoted more than one grade at one time. Now, survival of the fittest, in the fullest sense, requires that civil servants assume responsibility for the posts they receive.

Third, the civil service system cultivates a practice called "the metabolism mechanism." This mechanism counters practices remaining from the cadre system, where officials were guaranteed nearly lifelong tenure. Officials could be promoted but not demoted, resulting in leaders who always seemed to be too old for their offices and duties. In the absence of a retiring mechanism, it was generally believed that, unless they made serious mistakes, cadres members kept their offices for life. Dismissing incompetent cadres was virtually impossible. Moreover, when cadres reached the prescribed age of retirement, they often did not retire conscientiously from their posts. It was not uncommon to see government bodies drastically exceed their authorized size and become overstaffed.

With the infusion of "the metabolism mechanism," the civil servants' group is replenished in a timely manner by drawing on a pool of talented personnel who have met the strict entrance qualifications. Simultaneously, the group is refreshed by new recruitment and promotion to different posts. The metabolism mechanism also ensures the enforcement of rules and
regulations regarding retirement, resignation, dismissal, and expulsion. Generally speaking, those reaching the prescribed ages are required to retire from their posts; those unwilling to assume offices are approved for resignation; and those incompetent are dismissed or expelled. In addition, the civil service system explicitly stipulates strict age limitations as well as limits on the size of each government organization (Sun and Zhu, 2001).

Fourth, the civil service system uses “guarantees” for conscientious and honest performance of official duties. This mechanism counters passivity and corruption that too often characterized the civil service in the past. In the period of transition from a planned economy to a market-oriented economy some persons avail themselves of the loopholes inherent in an imperfect institutional framework. Either they attend work but do not really exert themselves, or they promote corruption in various ways, such as by accepting bribes. Their conduct has greatly damaged the positive image of the Party and government in the eyes of the masses, and their conduct has even aroused discontent. As a result, reforms underlying the movement to a socialist, market-oriented economy, use the guaranteeing mechanism for conscientious and honest performance of official duties. As a basic requirement, the civil service system governs civil servants’ rights and obligations, rewards and disciplinary sanctions, recruitment and selection, and promotion and “follow-up.” For example, open examinations, strict follow-up systems and regular training compel civil servants to work arduously to improve service and efficiency. In turn, proficiency rises substantially.

As well, formulations about civil servants’ regular rotating posts make sense. All civil servants should work honestly and impartially for the public interest. Conduct that involves corruption, embezzling, offering or accepting bribes, exploiting one’s office to pursue private ends (such as setting up enterprises, or running other profitable affairs) is prohibited. Those who challenge the law by engaging in such practices risk stern punishment.

Despite advances made in establishing a legal framework, there still exist practices that continue to hamper implementation of the regulations.

Fifth, the civil service system operates by rules rather than by a tradition of “rule by outstanding personality,” a feature of the previous cadre personnel system. Since the previous civil service system lacked a set of institutionalized regulations enforced by laws, it encouraged a kind of willful subjectivity that became almost insurmountable. It is hoped that the new civil service system, strengthened by written regulations, will continue to transform existing, anachronistic practices.

Besides the general law, The Provisional Regulations of Civil Service, dozens of individual regulations and stipulations for enforcement of rules have come into being. In the future, a formal Civil Service Law and other related stipulations will also be issued. At present, a complete set of laws and regulations is in place to make sure that all arrangements comply with the proper rules and, consequently, act to enhance the legal framework of the civil service system.

Conclusion

As China moves away from the traditional cadre personnel system, leaders have analyzed the experiences of other countries and introduced innovations that ensure a bright future for a civil service system with Chinese characteristics. Admittedly, the civil service system has been in practice for a relatively short period of time in China. The current system, which has been governed by “The Provisional Regulations of Civil Service” for about ten years, is expected to be replaced by “The Civil Service Law” in the near future, further strengthening the system with a legally binding national general law.

Despite advances made in establishing a legal framework, there still exist practices that continue to hamper implementation of the regulations. Serious attention must be paid to the practice of each separate regulation and operating systems. For instance, the...
The newly developed position-classification system — an important feature of a modern civil service system — faces great difficulty when applied in China. It has bearings on many other subtle and complicated factors, which indeed are of much significance in instituting scientific and rational personnel management. The existing classification system (which essentially distinguishes only between leaders and staff) requires significant refinement in order to embody more detailed specialization.

Furthermore, public competition should expand to wider spheres and encompass a broader spectrum of positions. When recruiting candidates, both the form and content of the examination can be greatly improved. As for the inspiring mechanism, it seems too general to adequately regulate follow-up and evaluate performance. Modern technology to assess performance is vital to improved practice. Not only are the times between “excellent,” “competent,” and “incompetent” fuzzy, but results of the follow-up assessment are often disregarded when considering promotions. Somewhere must be done to make a noticeable correction and improvement.

It is perhaps even more important to bear in mind that the civil service system in China has by no means disappeared or developed in isolation from the world or from Chinese tradition. Rather, the unique way the civil service system is developing has led to a successful reform of personnel management during the transition from a cadre system to a modern civil service. Needless to say, the development and practice of the new civil service system will encounter obstacles in unresolved issues in the larger reform of economic and politico-administrative systems (Sun, 1998).

It is now well recognized that the key to reforming administrative management lies in the real transformation of the government’s functions, from producer to governor of the economy. Mere surface changes can only result in vicious cycles that accomplish little and prevent genuine reform in civil service from being implemented. In an important way, civil service reform and development will occur within the limits set by the Party. As of now, in the context of personnel system development, the future is unclear. Without a distinctive division of functions between the Party and the government, few will be convinced that the traditional personnel system can change substantially.

In summary, as part of a broader framework of reform strategies, the civil service system in China remains dynamic. It will continue to follow the transition toward a mature socialist-market oriented economy.

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References


Management Competency of Senior Public Executives in Taiwan

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Today, management is increasingly seen as a distinct organizational function that plays a major role in the performance of government. In order to deal with ever more turbulent political and economic environments, public organizations have been looking for ways to increase their own capacities. While there are a variety of potential strategies, people generally believe that “business success will depend increasingly on the qualities and professionalism of managers” (Reid, 1988). Therefore, in order to improve government, it would seem that public managers have to be equipped with the right qualities.

A large body of literature provides empirical classifications of the characteristics, roles, and skills of successful managers in both the public and private sectors. For example, Pollitt (1990) observes that effective managers in the public sector “set clear objectives, communicate them throughout the organization, allocate resources to ensure their achievement, control costs, motivate staff, improve efficiency and…move strategically and proactively” (p. 5).

More specifically, Quinn et al. (1996) identifies eight roles and 24 managerial skills that enable managers to exert their organizational influence. While it is generally accepted that most of the listed qualities are equally important, managers operating in different contexts tend to differ significantly in these qualities (Allison, 1983; Mintzberg, 1973; Rainey, 1997).

This research assesses the management skills of senior public executives in Taiwan based on the competency framework developed by Quinn and his colleagues. In addition to describing the competency profile of Taiwan’s public managers, it seeks to explore the important factors that influence public managers’ competency levels.

This study accepts the assumption that successful public managers must be balanced in playing a variety of roles in their work environments. To inquire about the management competency levels of managers, a national survey of all senior executives in Taiwan’s central government and a series of personal interviews with a group of external observers were conducted in the spring of 1998. Furthermore, this research constructed a set of regression models to test whether edu-

Abstract: Based on the Management Competency Model developed by Quinn et al., a national survey of all senior executives (Rank 9 and above) in Taiwan’s central government was conducted in 1998, to measure managerial skill levels. This research tested whether educational level, rank, tenure and gender affected managerial skills. Responses indicate that among twenty-four management skills, public managers in Taiwan generally are best at working productively, delegating, communicating and goal setting. The research showed that public managers would benefit most by improving skills in cross-functional management, expressing ideas, and conflict resolution. Moreover, the most significant factors that influence how public managers perceive their managerial skill levels are education and gender. This study provides a number of management development strategies. Note: An earlier version of this paper was presented at the American Society for Public Administration National Conference in Orlando, Florida, April 10-14, 1999.
cational level, rank, seniority, and gender made any difference in the managerial skills of the senior managers.

This paper has five sections. After this introduction, a literature review describes the theoretical framework upon which this study has been undertaken. The review also develops a hypothesis about how several personal characteristics may influence the competency levels of senior managers. The third section concerns the survey instruments and research methodology, while the fourth section presents the major findings of the survey results. The paper concludes by discussing the implications of the findings for future improvement of human resource development for senior public managers in Taiwan.

Prior Conceptualizations of Management

At present, a large body of literature describes and prescribes the roles, skills, and abilities of managers in both the public and private sectors. Table 1 provides only a partial list of the existing models.

Managerial Roles and Functions

The literature makes it clear that executives, especially senior managers, need to assume a variety of roles and functions in managing their organizations. The literature clearly describes the function of management as a combination of art and science. The required roles and skills of an effective manager range from highly technical to highly interpersonal activities. Various authors have suggested that the effective performance of management requires the simultaneous mastery of seemingly contradictory management skills.

Quinn and his colleagues (1996) indicate that prevalent management models in different times (Table 2) are based on different assumptions about individuals or organizations. For example, the basic assumption of the rational goal model, represented by the works of Weber and Taylor, is the belief that clear direction leads to productive outcomes. Hence, there is a continuing emphasis on organizational processes such as goal clarification, rational analysis, and action taking. Emphasizing internal processes, the authors assume that routine leads to stability. Therefore, managers should concentrate on defining responsibilities, and measuring and documenting performance of the organization.

The basic assumption of the human relations model is that involvement results in commitment, and hence productivity, while the open system theory postulates that organizations evolve through continual adaptation and innovation. Hence, the most important skills of managers are political adaptability, creative problem solving, and managing change.

Table 1: Models of Management Competency

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<td>• technical skills</td>
<td>• technical skills</td>
<td>• routine communication</td>
</tr>
<tr>
<td>• leader</td>
<td>• human or interpersonal skills</td>
<td>• human or interpersonal skills</td>
<td>• human or interpersonal skills</td>
<td>• traditional management</td>
</tr>
<tr>
<td>• liaison</td>
<td>• conceptual skills</td>
<td>• conceptual skills</td>
<td>• conceptual skills</td>
<td>• networking</td>
</tr>
<tr>
<td>• monitor</td>
<td>• disseminator</td>
<td>• diagnostic skills</td>
<td>• critical thinking skills</td>
<td>• human resource management</td>
</tr>
<tr>
<td>• disseminator</td>
<td>• spokesperson</td>
<td></td>
<td>• communication skills</td>
<td></td>
</tr>
<tr>
<td>• entrepreneur</td>
<td>• disturbance handler</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• spokesperson</td>
<td>• resources allocator</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• entrepreneur</td>
<td>• negotiator</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This literature clearly describes the roles and functions of various types of managers. Various authors have suggested that the effective performance of management requires the simultaneous mastery of seemingly contradictory management skills.

Quinn and his colleagues (1996) indicate that prevalent management models in different times (Table 2) are based on different assumptions about individuals or organizations. For example, the basic assumption of the rational goal model, represented by the works of Weber and Taylor, is the belief that clear direction leads to productive outcomes. Hence, there is a continuing emphasis on organizational processes such as goal clarification, rational analysis, and action taking. Emphasizing internal processes, the authors assume that routine leads to stability. Therefore, managers should concentrate on defining responsibilities, and measuring and documenting performance of the organization.

The basic assumption of the human relations model is that involvement results in commitment, and hence productivity, while the open system theory postulates that organizations evolve through continual adaptation and innovation. Hence, the most important skills of managers are political adaptability, creative problem solving, and managing change.
Table 2: Theoretical Models of Organizations

<table>
<thead>
<tr>
<th></th>
<th>Rational Goal</th>
<th>Internal Process</th>
<th>Human Relations</th>
<th>Open Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Means-ends theory</td>
<td>Clear direction leads to productive outcomes</td>
<td>Routinization leads to stability</td>
<td>Involvement results in commitment</td>
<td>Continual adaptation and innovation lead to acquiring and maintaining external resources</td>
</tr>
<tr>
<td>Emphasis</td>
<td>Goal clarification, rational analysis, and action taking</td>
<td>Defining responsibility, measurement, documentation</td>
<td>Participation, conflict resolution, and consensus building</td>
<td>Political adaptation, creative problem solving, innovation, change management</td>
</tr>
<tr>
<td>Climate</td>
<td>Rational economic: “the bottom line”</td>
<td>Hierarchical</td>
<td>Team oriented</td>
<td>Innovative, flexible</td>
</tr>
<tr>
<td>Role of manager</td>
<td>Director and producer</td>
<td>Monitor and coordinator</td>
<td>Mentor and facilitator</td>
<td>Innovator and broker</td>
</tr>
</tbody>
</table>

Quinn’s Competing Values Framework

Quinn and his colleagues synthesized the previous four management models into the “competing values framework.” They argue that while the rational goal, internal process, human relations, and open systems models were developed based on entirely different views of organizations, they can be seen as closely related and indeed interwoven, and the competing values framework sought to integrate them. It takes a systematic view of management, pointing out that effective managers need to master a variety of roles and skills in order to function successfully in today’s changing organizations.

Specifically, the framework identified eight distinguishing roles of organizational managers, and 24 management competencies that are embedded in the different roles. The eight roles include mentor, facilitator, monitor, coordinator, director, producer, broker, and innovator. Each role represents a pattern of functional behavior exerted by managers. Above all, Quinn et al. advocated the need for managers to simultaneously master the different roles and skills associated with management.

Research Methods

The main data collection methods of this research include a self-administered survey of senior managers in the central government of Taiwan, and a document review of leadership/training programs in the major public service training institutes in Taiwan.

Senior Manager Survey

Survey questionnaires were mailed either to senior managers in the Executive Yuan (population size = 2,674) or the agencies/departments directly reporting to the prime minister at the time the survey was conducted. A senior manager is defined as having a rank of grade 9 or above. Under the civil service system in Taiwan, ROC, civil servants are divided into 14 grades, with the first grade being the lowest.

The questionnaire used to measure the competency levels of the senior managers is adapted from the one used by Quinn et al. As shown in Table 3, each of the 24 management skills of the competing values framework is measured by averaging the responses to a number of the survey items. All survey items are state-
ments inquiring about the respondent’s attitudes toward his or her management competency. Respondents were asked to choose the answer that best described their level of agreement with the statement along a seven-point scale. For example, a respondent’s skill in “negotiating agreement and commitment” is measured by calculating the mean of the respondent’s levels of agreement on items 16 (“In negotiating, I know how to explore win-win outcomes”), 40 (“In negotiating, I know how to base the result on an objective standard”), and 81 (“In negotiating, I know how to keep the discussion issue-oriented”).

Ordinary least square (OLS) multiple regression was used to estimate the research models that examine the impact of several contingency factors on how respondents perceive their own management skill levels. A multiple regression equation for each of the twenty-four management skills described in the Competing Values Framework was constructed. The regression equations are as follows:

\[
\text{SKILL}_{i,j} = \beta_0 + \beta_1 \text{GENDER} + \beta_2 \text{RANK} + \beta_3 \text{SENIORITY} + \beta_4 \text{EDU}
\]

\[
\text{SKILL} = \text{mean score of related questions measuring a management skill}
\]

\[
\text{GENDER} = \text{gender of the respondent, male (1), female (0)}
\]

\[
\text{RANK} = \text{position level as defined by the Executive Yuan’s position classification system.}
\]

\[
\text{SENIORITY} = \text{the respondent’s number of years serving in the government of Taiwan, R.O.C.}
\]

\[
\text{EDU} = \text{graduate degree (1), other (0)}
\]

The characteristics of the senior managers used as explanatory variables in the analysis include gender, rank, seniority, and education. Gender appears to influence how respondents perceive the level of their own management skills. Specifically, it is expected that male managers will regard their management skills more positively than female respondents for at least two reasons. First of all, compared to Western countries, Taiwan has been a more “masculine” workplace (Hofstede, 1993). It is expected that males in general are more confident and assertive than females in the country. Secondly, males in general have tended to receive more opportunities to handle important tasks. Managers in Taiwan are no exception.

Rank is expected to relate positively to the management skill levels of the respondents. Since position level usually reflects both the complexity of the respondent’s work and the number of people the respondent needs to supervise, respondents at higher levels tend to have higher management abilities.

Seniority was measured by the number of years that the respondent had worked in the government and is predicted to have a positive influence on the respondent’s management skill levels. The longer a respondent serves in the government, the more likely he or she is to acquire management skills and techniques (Wooldridge and Floyd, 1990).

<table>
<thead>
<tr>
<th>Management Skill</th>
<th>Survey Item No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Delegating Effectively</td>
<td>17.41.63.72.89</td>
</tr>
<tr>
<td>2 Visioning, Planning, Goal Setting</td>
<td>9.33.80.105</td>
</tr>
<tr>
<td>3 Designing and Organizing</td>
<td>11.35.86.99.59</td>
</tr>
<tr>
<td>4 Managing Time and Stress</td>
<td>18.71.96.112</td>
</tr>
<tr>
<td>5 Fostering a Productive Work Environment</td>
<td>10.34.58.73.106</td>
</tr>
<tr>
<td>6 Working Productively</td>
<td>55.2.26.98.101.42</td>
</tr>
<tr>
<td>7 Presenting Ideas</td>
<td>24.48.90.110</td>
</tr>
<tr>
<td>8 Negotiating Agreement and Commitment</td>
<td>16.40.81</td>
</tr>
<tr>
<td>9 Building and Maintaining a Power Base</td>
<td>104.8.52.28.49</td>
</tr>
<tr>
<td>10 Thinking Creatively</td>
<td>23.31.47.91.66</td>
</tr>
<tr>
<td>11 Creating Change</td>
<td>15.39.82.111.109</td>
</tr>
<tr>
<td>12 Living with Change</td>
<td>7.113.50.74.103</td>
</tr>
<tr>
<td>13 Developing Subordinates</td>
<td>21.45.68.87.93</td>
</tr>
<tr>
<td>14 Communicating Effectively</td>
<td>37.61.84.13</td>
</tr>
<tr>
<td>15 Understanding Self and Others</td>
<td>108.5.29.52.76</td>
</tr>
<tr>
<td>16 Managing Conflict</td>
<td>22.46.64.67.92.116</td>
</tr>
<tr>
<td>17 Using Participative Decision Making</td>
<td>14.38.62.83.102</td>
</tr>
<tr>
<td>18 Building Teams</td>
<td>75.6.25.30.51</td>
</tr>
<tr>
<td>19 Monitoring Personal Performance</td>
<td>1.77.88.100.53.79</td>
</tr>
<tr>
<td>20 Managing Collective Performance</td>
<td>44.35.107.12.54.60</td>
</tr>
<tr>
<td>21 Managing Organizational Performance</td>
<td>20.4.69.94</td>
</tr>
<tr>
<td>22 Managing Projects</td>
<td>78.115.35.7.27</td>
</tr>
<tr>
<td>23 Designing Work</td>
<td>43.36.56.63.97.114</td>
</tr>
<tr>
<td>24 Managing across Functions</td>
<td>19.7.95.117</td>
</tr>
</tbody>
</table>
Table 4: Sample Population Comparison Based on Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Survey Respondents (%)</th>
<th>Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>21.2</td>
<td>21.3</td>
</tr>
<tr>
<td>Male</td>
<td>78.8</td>
<td>78.7</td>
</tr>
<tr>
<td>N</td>
<td>759</td>
<td>2,674</td>
</tr>
</tbody>
</table>

*chi-square = 0.0006 < chi-square (.05) = 3.841

Table 5: Sample Population Comparison Based on Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Survey Respondents (%)</th>
<th>Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 and younger</td>
<td>12.6</td>
<td>14.4</td>
</tr>
<tr>
<td>21-50</td>
<td>54.7</td>
<td>51.0</td>
</tr>
<tr>
<td>51-60</td>
<td>27.7</td>
<td>24.1</td>
</tr>
<tr>
<td>Over 60</td>
<td>5.0</td>
<td>10.4</td>
</tr>
<tr>
<td>N</td>
<td>759</td>
<td>2,674</td>
</tr>
</tbody>
</table>

*chi-square = 3.84 < chi-square (.05) = 7.815

Table 6: Sample Population Comparison Based on Rank

<table>
<thead>
<tr>
<th>Position Level</th>
<th>Survey Respondents (%)</th>
<th>Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>45.7</td>
<td>53.3</td>
</tr>
<tr>
<td>10</td>
<td>10.6</td>
<td>13.5</td>
</tr>
<tr>
<td>11</td>
<td>29.7</td>
<td>20.5</td>
</tr>
<tr>
<td>12</td>
<td>13.9</td>
<td>12.8</td>
</tr>
<tr>
<td>N</td>
<td>759</td>
<td>2,674</td>
</tr>
</tbody>
</table>

*chi-square = 5.93 < chi-square (.05) = 7.815

Finally, the education level (EDU) of a senior manager is predicted to have a positive effect on his or her management skill levels. Consistent with the expectation for seniority, those with advanced degrees are more likely to have been exposed to management techniques and relevant information. The education variable is encoded into a dummy variable, with the value of 1 representing respondents with a graduate degree.

**Content Analysis of Leadership/Management Training Programs**

This study also analyzes the content of management competency training programs for senior managers offered by the four major public service training institutes in Taiwan (the Center of Public Human Resource Development of the Executive Yuan, the Human Resource Training Unit of Taiwan Provincial Government, the Public Service Training Center of Taipei, and the Public Service and Teachers’ Development Center in Kaoshiung). The analysis provides a general picture of how the management competency of senior managers has been developed.

With the help of the Central Personnel Administration of the Executive Yuan, the relevant content (related to the 14 training programs devoted to developing management competency in 1997 and 1998) was collected and analyzed using the competing values framework.

Table 7: Competency Descriptive Statistics

<table>
<thead>
<tr>
<th>Management Skill</th>
<th>Mean</th>
<th>St. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Productively</td>
<td>5.85</td>
<td>0.72</td>
</tr>
<tr>
<td>Understanding Self and Others</td>
<td>5.70</td>
<td>0.67</td>
</tr>
<tr>
<td>Delegating Effectively</td>
<td>5.67</td>
<td>0.73</td>
</tr>
<tr>
<td>Communicating Effectively</td>
<td>5.65</td>
<td>0.73</td>
</tr>
<tr>
<td>Negotiating Agreement and Commitment</td>
<td>5.54</td>
<td>0.76</td>
</tr>
<tr>
<td>Visioning, Planning, Goal Setting</td>
<td>5.52</td>
<td>0.75</td>
</tr>
<tr>
<td>Developing Subordinates</td>
<td>5.47</td>
<td>0.74</td>
</tr>
<tr>
<td>Designing and Organizing</td>
<td>5.45</td>
<td>0.71</td>
</tr>
<tr>
<td>Managing Organizational Performance</td>
<td>5.43</td>
<td>0.72</td>
</tr>
<tr>
<td>Managing Collective Performance</td>
<td>5.41</td>
<td>0.71</td>
</tr>
<tr>
<td>Creating Change</td>
<td>5.39</td>
<td>0.79</td>
</tr>
<tr>
<td>Using Participative Decision Making</td>
<td>5.35</td>
<td>0.76</td>
</tr>
<tr>
<td>Managing Projects</td>
<td>5.33</td>
<td>0.72</td>
</tr>
<tr>
<td>Monitoring Personal Performance</td>
<td>5.30</td>
<td>0.74</td>
</tr>
<tr>
<td>Building and Maintaining a Power Base</td>
<td>5.29</td>
<td>0.74</td>
</tr>
<tr>
<td>Fostering a Productive Work Environment</td>
<td>5.25</td>
<td>0.76</td>
</tr>
<tr>
<td>Building Teams</td>
<td>5.23</td>
<td>0.82</td>
</tr>
<tr>
<td>Living with Change</td>
<td>5.20</td>
<td>0.76</td>
</tr>
<tr>
<td>Managing Time and Stress</td>
<td>5.19</td>
<td>0.77</td>
</tr>
<tr>
<td>Thinking Creatively</td>
<td>5.19</td>
<td>0.77</td>
</tr>
<tr>
<td>Designing Work</td>
<td>5.17</td>
<td>0.77</td>
</tr>
<tr>
<td>Managing Conflict</td>
<td>5.15</td>
<td>0.80</td>
</tr>
<tr>
<td>Presenting Ideas</td>
<td>5.14</td>
<td>0.89</td>
</tr>
<tr>
<td>Managing across Functions</td>
<td>5.02</td>
<td>0.90</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>5.37</td>
<td></td>
</tr>
</tbody>
</table>
Table 8: Regression Analysis Results

<table>
<thead>
<tr>
<th>Management Skill</th>
<th>Gender</th>
<th>Seniority</th>
<th>Education</th>
<th>Rank</th>
<th>Adj. R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delegating Effectively</td>
<td>.31**</td>
<td>.015**</td>
<td>.21**</td>
<td>.01</td>
<td>.073</td>
</tr>
<tr>
<td>Visioning, Planning, Goal Setting</td>
<td>.25**</td>
<td>.0094*</td>
<td>.36**</td>
<td>.046</td>
<td>.092</td>
</tr>
<tr>
<td>Designing and Organizing</td>
<td>.25**</td>
<td>.012**</td>
<td>.24**</td>
<td>.01</td>
<td>.063</td>
</tr>
<tr>
<td>Managing Time and Stress</td>
<td>.18**</td>
<td>.011*</td>
<td>.22**</td>
<td>.014</td>
<td>.038</td>
</tr>
<tr>
<td>Fostering a Productive Work Environment</td>
<td>.23**</td>
<td>.016**</td>
<td>.28**</td>
<td>.025</td>
<td>.076</td>
</tr>
<tr>
<td>Working Productively</td>
<td>.054</td>
<td>.01*</td>
<td>.19**</td>
<td>.035</td>
<td>.032</td>
</tr>
<tr>
<td>Presenting Ideas</td>
<td>.272**</td>
<td>.0096</td>
<td>.39**</td>
<td>.062</td>
<td>.087</td>
</tr>
<tr>
<td>Negotiating Agreement and Commitment</td>
<td>.25**</td>
<td>.074</td>
<td>.21**</td>
<td>.045</td>
<td>.054</td>
</tr>
<tr>
<td>Building and Maintaining a Power Base</td>
<td>.24**</td>
<td>.084</td>
<td>.25**</td>
<td>.05</td>
<td>.068</td>
</tr>
<tr>
<td>Thinking Creatively</td>
<td>.31**</td>
<td>.011*</td>
<td>.23**</td>
<td>.024</td>
<td>.065</td>
</tr>
<tr>
<td>Creating Change</td>
<td>.32**</td>
<td>.014*</td>
<td>.33**</td>
<td>.018</td>
<td>.087</td>
</tr>
<tr>
<td>Living with Change</td>
<td>.34**</td>
<td>.0072</td>
<td>.24**</td>
<td>.043</td>
<td>.078</td>
</tr>
<tr>
<td>Developing Subordinates</td>
<td>.24**</td>
<td>.013*</td>
<td>.21**</td>
<td>.022</td>
<td>.056</td>
</tr>
<tr>
<td>Communicating Effectively</td>
<td>.067</td>
<td>.011*</td>
<td>.18**</td>
<td>.029</td>
<td>.031</td>
</tr>
<tr>
<td>Understanding Self and Others</td>
<td>.053</td>
<td>.011*</td>
<td>.25**</td>
<td>.012</td>
<td>.044</td>
</tr>
<tr>
<td>Managing Conflict</td>
<td>.37**</td>
<td>.013*</td>
<td>.27**</td>
<td>.024</td>
<td>.084</td>
</tr>
<tr>
<td>Using Participative Decision Making format</td>
<td>.31**</td>
<td>.015*</td>
<td>.30**</td>
<td>.043</td>
<td>.103</td>
</tr>
<tr>
<td>Building Teams</td>
<td>.3**</td>
<td>.014*</td>
<td>.27**</td>
<td>.039</td>
<td>.077</td>
</tr>
<tr>
<td>Monitoring Personal Performance</td>
<td>.13</td>
<td>.013*</td>
<td>.27**</td>
<td>.018</td>
<td>.051</td>
</tr>
<tr>
<td>Managing Collective Performance</td>
<td>.26**</td>
<td>.0087*</td>
<td>.28**</td>
<td>.028</td>
<td>.075</td>
</tr>
<tr>
<td>Managing Organizational Performance</td>
<td>.26**</td>
<td>.011*</td>
<td>.22**</td>
<td>.0071</td>
<td>.056</td>
</tr>
<tr>
<td>Managing Projects</td>
<td>.18**</td>
<td>.016**</td>
<td>.25**</td>
<td>.0094</td>
<td>.065</td>
</tr>
<tr>
<td>Designing Work</td>
<td>.19**</td>
<td>.014*</td>
<td>.22**</td>
<td>.024</td>
<td>.051</td>
</tr>
<tr>
<td>Managing Across Functions</td>
<td>.34**</td>
<td>.015**</td>
<td>.34**</td>
<td>.0013</td>
<td>.069</td>
</tr>
</tbody>
</table>

*p < .05  **p < .01

Findings

Survey Results

As mentioned earlier, the sample for this study consists of the senior managers in different agencies of the Executive Yuan who completed the 117-item multiple-choice survey. By March 10, 1998, 759 questionnaires were returned (a return rate of 28 percent). To estimate how the survey data may represent the population of senior managers in the central government of Taiwan, demographic sample statistics were compared with population parameters (provided by the Central Personnel Administration of the Executive Yuan) using a Chi-square test. As indicated in Tables 4, 5, and 6, the gender, age and rank distributions of the respondents are not significantly different from the population at large.

Table 7 presents the mean scores of the survey responses for each of the 24 management skills defined by Quinn et al. (1996). It should be noted that the purpose of this research is not to seek a single grade for each governmental manager, but to develop a set of observations about general management competency levels in the public sector that can be used as a foundation for future improvement. In short, since the data are self-reported perceptions, we are less concerned about the absolute score of each of the managerial competencies than with the differences between them.

The survey results show that all of the mean scores related to management skills are above 5. The item that received the highest score was the competency of “working productively” (mean = 5.85). Other high-ranking management skills include “delegating effectively,” “communicating effectively,” and “understanding self and others.” On the other hand, the item receiving the lowest score was “managing across func-
..." Other lower-ranking management skills include "managing conflict," "thinking creatively," "managing time and stress" and "presenting ideas."

The standard deviations of the responses indicate consistency among the survey respondents. As shown in Table 7, the management competencies having the highest standard deviations (i.e., standard deviation over 0.8) include "managing across functions," "presenting ideas," "building teams," and "managing conflict."

The results of the regression analysis are displayed in Table 8. In general, education level, gender and seniority are shown to have a significant effect on the management competency levels of the respondents. Rank, on the other hand, does not show a significant relationship with the dependent variables, with the competency of designing work as the only exception.

As expected in the research hypotheses, the management competency levels for male managers are on average higher than for females. Specifically, among the 24 management competencies delineated by Quinn et al., male managers receive higher scores for 20 items.

Education level also corresponded significantly with the level of each of the respondent’s management competencies. Managers with a graduate degree consistently receive higher scores for all of the management competencies.

Seniority was also an important contingency factor for the competency levels of the respondents. As shown in Table 8, seniority significantly affected rankings of 20 of the management competencies.

Analysis of the Management Competency Training Programs

Fourteen management competency training programs were analyzed. The programs were then classified according to their content one or more of the eight management roles described by Quinn et al. The results of the content analysis are presented in Table 9.

### Discussion and Conclusion

This research is concerned with the levels of management competencies of senior public managers in Taiwan. It also seeks to explore the effects of a number of contingency factors on the managerial competencies of public managers. The results of the above analysis not only have theoretical implications for those interested in studying how public managers behave, but also carry important practical implications for human resource development institutions in the public sector.

First of all, the survey results specifically indicate a number of management competencies that public managers in Taiwan should seek to improve. This study provides a basis for public service training institutes to decide what leadership/management development pro-

<table>
<thead>
<tr>
<th>Table 9: Number of Courses Offered for the 24 Management Skills by the Four Major Public Training Institutes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Role</strong></td>
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<tr>
<td>Producer Role</td>
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<tr>
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<tr>
<td></td>
</tr>
<tr>
<td>Coordinator Role</td>
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<tr>
<td>Director Role</td>
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<tr>
<td>Innovator</td>
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<td></td>
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<tr>
<td>Broker Role</td>
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<tr>
<td>Monitor Role</td>
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<tr>
<td>Facilitator Role</td>
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<td></td>
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<tr>
<td>Mentor Role</td>
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</tbody>
</table>
grams to provide and how to implement them. Specifically, the survey results show that the following programs should receive the highest priority: “managing across functions,” “living with change,” “managing time and stress,” “thinking creatively,” “designing work,” “managing conflict,” “presenting ideas,” and “managing across functions.”

Secondly, the survey results show the problem of selecting training courses without a basis in needs assessment. Table 10 compares the self-perceived management competency levels of the survey respondents to the analysis of the management competency development programs. The results demonstrate that some of the most needed management competencies have not received enough attention from the training institutes. On the one hand, public service training institutes in Taiwan offered many courses on relatively few management competencies, such as “visioning, planning, and goal setting” and “communicating effectively,” which respondents perceive to have mastered.

On the other hand, the four main public training institutes offered only a few courses for some management competencies that managers perceived were needed most. These management competencies include “managing across functions,” “managing conflicts,” “designing work,” “thinking creatively,” “building teams,” “fostering a productive work environment,” “building and maintaining a power base,” and “monitoring personal performance.”

Finally, and perhaps most importantly, the results of the regression analysis can be used to improve the design of the public service training programs. Traditionally, in almost all leadership/management training programs, trainees are classified into different levels based solely on their respective ranks. Nevertheless, as the survey results show, the management competency of the senior public managers appears to be unrelated to their ranks. Gender, education level, and seniority, on the other hand, are more important contingency factors that have an effect on

<table>
<thead>
<tr>
<th>Management Role</th>
<th>Management Competency (in order of the respective survey mean score)</th>
<th>Number of Courses Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Coordinator Role</td>
<td>Managing across functions</td>
<td>1</td>
</tr>
<tr>
<td>2 Broker Role</td>
<td>Presenting ideas</td>
<td>12</td>
</tr>
<tr>
<td>3 Facilitator Role</td>
<td>Managing conflict</td>
<td>4</td>
</tr>
<tr>
<td>4 Coordinator Role</td>
<td>Designing work</td>
<td>0</td>
</tr>
<tr>
<td>5 Producer Role</td>
<td>Managing time and stress</td>
<td>7</td>
</tr>
<tr>
<td>6 Innovator Role</td>
<td>Thinking creatively</td>
<td>4</td>
</tr>
<tr>
<td>7 Innovator Role</td>
<td>Living with change</td>
<td>7</td>
</tr>
<tr>
<td>8 Facilitator Role</td>
<td>Building teams</td>
<td>4</td>
</tr>
<tr>
<td>9 Producer Role</td>
<td>Fostering a productive work environment</td>
<td>2</td>
</tr>
<tr>
<td>10 Broker Role</td>
<td>Building and maintaining a power base</td>
<td>3</td>
</tr>
<tr>
<td>11 Monitor Role</td>
<td>Monitoring personal performance</td>
<td>1</td>
</tr>
<tr>
<td>12 Coordinator Role</td>
<td>Managing projects</td>
<td>7</td>
</tr>
<tr>
<td>13 Facilitator Role</td>
<td>Using participative decision making</td>
<td>3</td>
</tr>
<tr>
<td>14 Innovator Role</td>
<td>Creating change</td>
<td>0</td>
</tr>
<tr>
<td>15 Monitor Role</td>
<td>Managing collective performance</td>
<td>1</td>
</tr>
<tr>
<td>16 Monitor Role</td>
<td>Managing organizational performance</td>
<td>4</td>
</tr>
<tr>
<td>17 Director Role</td>
<td>Designing and organizing</td>
<td>5</td>
</tr>
<tr>
<td>18 Mentor Role</td>
<td>Developing subordinates</td>
<td>6</td>
</tr>
<tr>
<td>19 Director Role</td>
<td>Visioning, planning and goal setting</td>
<td>11</td>
</tr>
<tr>
<td>20 Broker Role</td>
<td>Negotiating agreement and commitment</td>
<td>0</td>
</tr>
<tr>
<td>21 Mentor Role</td>
<td>Communicating effectively</td>
<td>9</td>
</tr>
<tr>
<td>22 Director Role</td>
<td>Delegating effectively</td>
<td>1</td>
</tr>
<tr>
<td>23 Mentor Role</td>
<td>Understanding self and others</td>
<td>5</td>
</tr>
<tr>
<td>24 Producer Role</td>
<td>Working productively</td>
<td>2</td>
</tr>
</tbody>
</table>
the self-perceived management competency of the survey respondents.

As Nalbandian (1981) has long pointed out,

traditional supervisory training invites a horizontal slice of an agency’s personnel to gather for a packaged curriculum thought suitable for (literally) thousands of supervisors. These programs rarely affect supervisory behavior.

the key to the effective training of supervisors is to bring the supervisor together with subordinates and superiors for practice, feedback and guidance… (p. 196).

Therefore, if management competency development programs for public managers are to maximize the potential for training, they need to take into account the important personal characteristics of the public managers identified in this study.

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Acknowledgement

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References


Appendix I: Survey Instrument

Management Competency Survey

Respondents were asked to respond to the statements below using the following 7-point scale
7 = Highly Agree
6 = Somewhat Agree
5 = Agree
4 = Neutral
3 = Disagree
2 = Somewhat Disagree
1 = Highly Disagree

1. I continually seek feedback on my performance.
2. I am an intensely motivated person.
3. I know how to use basic planning tools in managing projects.
4. I know how to gather data from potential, as well as current customers.
5. I have a clear image of who I am.
6. I am skilled in team building techniques.
7. My own personal coping strategies help me to adapt to change.
8. I know how to build personal power through the involvement of others.
9. When I have more than one goal, I set clear priorities.
10. I am skilled at motivating other people.
11. In organizing, I understand the division of labor principle.
12. I can diagnose process problems in an organizational unit.
13. In communicating, I am very sensitive to feelings.
14. I know when to use participative decision making.
15. I think of myself as a creative person.
16. In negotiating, I know how to explore win-win outcomes.
17. I know how to give people both responsibility and authority.
18. I always try to begin my day with a personal planning session.
19. I can explain the concept of a cross-functional team.
20. I know how to monitor the degree of value provided to the customer.
21. I am able to coach others effectively.
22. I know how to create win-win situations in conflicts.
23. I can accurately assess the forces for and against change in a given situation.
24. When preparing an oral presentation, I consider the purpose, the audience, and available resources.
25. I know how to help members of a cross-function team work together effectively.
26. I have a passionate commitment to the things I do.
27. I can divide components of a project so they can be measured in terms of time and cost.
28. I try to find out how decisions affect others around me.
29. I have a clear set of values.
30. I can turn a collection of individuals into a team.
31. In dealing with changes that are imposed on the organization, I think about how employees will react.
32. I know how to employ formal authority in an effective way.
33. I always have a clear set of objectives.
34. I can create high performance expectations in others.
35. I know how to consider the organization's environment in creating an organizational design.
36. I understand the principles of reengineering.
37. In conversations, I put people at ease.
38. I know how to employ participative decision making techniques.
39. I always try to look at old problems in new ways.
40. In negotiating, I know how to base the result on an objective standard.
41. I feel comfortable with the concept of delegation.
42. I always end the day with the feeling that I have accomplished at least one significant task.
43. I can design a self-managed work team.
44. I know how to construct a performance monitoring matrix.
45. I feel comfortable acting as an advisor to people.
46. I can manage tensions and get people to relax during conflict.
47. I am able to deal effectively with forces of resistance when managing change.
I am an effective public speaker.
I can influence people through rational persuasion.
I am comfortable living with change.
I know how to turn a work group into a smooth functioning team.
I am very honest with myself.
I seek out divergent opinions on how my performance is seen by others.
I can produce a critical path diagram.
I love to feel challenged by the tasks I have to do.
I know how to redesign a job based on consideration of the task and the employee’s needs.
Each day I have a well defined plan.
I often inspire people to do more then they are expected to do.
I can design a matrix organization.
I know how to find and eliminated unnecessary activities in an unit.
During a conversation, I am in touch with the other’s reactions.
I know which situations are inappropriate for participative decision making.
I know the advantages and disadvantages of job enlargement.
I know how to effectively acknowledge the existence of a conflict.
I know delegating work frees up time to do more important things.
I know how to best involve people in designing organizational changes.
I am able to call on different conflict management approaches, depending on the situation.
I am able to mentor people, and help them grow and develop.
I know how to gain profound knowledge of customer needs.
I can list the challenges that are faced by cross-functional teams.
I always do the most important parts of my job during the time of day when I perform the best.
I am skilled at delegation.
I know how to use rewards to effectively influence others.
I adjust well to changing conditions.
I frequently encourage team members to take on different tasks and maintenance roles in order to improve the team’s effectiveness.

76. I recognize and work on my inconsistencies and hypocrisies.
77. I encourage people to give me negative, as well as positive, feedback on my performance.
78. I know how to do resource leveling for project management.
79. I am driven by a need for continuous improvement in what I do.
80. I know how to create a vision for my organization.
81. In negotiating, I know how to keep the discussion issue-oriented.
82. I like to explore new ideas.
83. I feel comfortable involving people in group decisions.
84. I am very sensitive to nonverbal messages in a conversation.
85. I am able to implement a process improvement plan.
86. I understand the advantages of organizing by divisional form.
87. I am skilled in getting the best out of people.
88. I always seek clear feedback about how I am doing.
89. I understand and know how to apply the principles of effective delegation.
90. In making an oral presentation, I know how to get people’s attention.
91. I am skilled at facilitating organizational change.
92. I know how to keep a conflict situation moving towards a productive conclusion.
93. I am able to advise subordinates on important matters relating to their growth and development.
94. I know how to monitor trends that will help me anticipate what customers want.
95. I can list the principles of managing a cross-functional team.
96. I know how to manage stress.
97. I can implement the concept of job rotation.
98. I am an unusually hard worker.
99. I know how to determine the advantages and disadvantages of different organization designs.
100. I have a systematic process for getting honest evaluations of my performance.
101. I work hard at being honest and sincere.
102. I know how to run a meeting in which everyone feels involved and influential in the decisions that are made.
103. I know how to use organizational culture to help employees adapt to change.
104. I am able to influence others through persuasion.
105. I always establish a specific set of challenging goals.
106. I can get others to excel in their work.
107. I know how to locate the most crucial issues in a workflow problem.
108. I effectively use empathy and reflective listening.
109. I try to treat any new problem as an opportunity.
110. I am very relaxed when I have to speak to a group of people.
111. I often come up with useful innovations.
112. I regularly use stress management techniques.
113. I know how to analyze the dynamics of an ongoing organizational change process.
114. I can design a job using the concept of job enrichment.
115. I can produce a Gantt chart.
116. I know how to stimulate conflict in a meeting in order to ensure that different points of view are heard.
117. I can specify the advantages of a cross-functional team.

**Personal Information**

A. Gender M F
B. Age
C. Rank
D. Are you a line manager? Yes No
E. Length of service in the government ______ years
F. Education level
   - below high school
   - high school
   - college
   - master
   - doctoral
Numerical Games and Officials’ Achievements

Qingyu Ma, Chinese National School of Administration

"A"dministrative accountability" is a basic working ethic for all modern governments to follow. Rather than follow the practices of feudal political systems, "administrative accountability" reflects the spirit of democratic politics. It requires authority to act for the public and to come from the people through free elections. It asks that the motivation of administrators reflects the people’s interests. It requests that public authority be loyal to the voters’ will. It demands that the government be capable of executing its duties, embodying a constitutional relationship between the government and the people in all its work, on its peoples’ behalf. "Administrative accountability" also requires that power and officials’ conduct be limited by law, and that any official who commits wrongdoing should be punished according to the laws and regulations of the government. The American scholar Starling defines it as responsible administration, including responsiveness, flexibility, competence, due process, accountability, and honesty (Starling, 1986, pp.115-125).

Responsable administration fails due to the weakness of human nature. Even in well-developed countries, there exists an obvious gap between reality and what the people desire from their government. Citizens there often complain about bureaucratic delay due to red tape. In some developing countries, the situation is even worse. In these countries, people not only have to tolerate the ordinary bureaucratic phenomenon that exists in well-developed countries, but are also overburdened with absurd administrative conduct such as bragging, trickery, and fixing rent prices.

A recent case study (Yuan and Yuan, 1999) explores one of these unfair practices by exploring the effect it has on the income of Chinese peasants. This case study examines the difficulties and potential solutions to problems of administrative accountability in developing countries.

Documenting social development and economic change is necessary for every country. Like eyes and ears, accurate or not, the statistics that get reported directly influence how governments make policy and decisions, as well as whether taxes will rise or fall. According to the 1998 Report of the China State Statistics Bureau (1999), the average annual income of 8.6868 million peasants (69.6 percent of China’s total population) was 2,160 RMB ($261), up 4.3 percent from the previous year. However, central government

Abstract: This case study describes the conditions under which some local Chinese officials may use annual statistics work as a tool to overstate their achievements in order to earn praise and promotions.

Dan Jiangkou, a county-level city in Hubei province of China, reported that the average income of its villagers steadily increase since 1996. For this the county officials were praised and rewarded time and again. But behind this achievement lies the plot of stretching the veracity of the numbers.

This paper examines weaknesses in the system that have permitted the officials to falsely report the statistics: Agricultural statistics data is not derived from an independent agency; the measure of economic growth in the countryside is too closely tied to the measure of the achievement of the government officials; and the present political system is one of excessive centralization, keeping the professional future of the local officials under the control of the more senior leaders, as opposed to the common people who have elected them. These three factors have worked together to create a numbers game in Dan Jiangkou City.
agencies that conducted the examination reveal that among the 60,000 illegal cases, more than half of them related to false statistics. These illegal activities include reporting of false industrial output, false obligated education, false human reproduction, and false export product value” (Gu, 2000). Comparatively, one finds the most severe cheating in the statistics that inaccurately document peasant income and the value of output by local industries. The false statistics recorded by some local government employees call all state reports into question.

**Probe**

Dan Jiangkou, a county in Hubei Province of China, formerly was listed among the nation’s poorest counties according to its economic output and level of social development. It is said that between 1996 and 1998, the county experienced great changes. According to its own report, the economic development of Dan Jiangkou is described in Table 1.

Formerly a poor town, the great achievements made Dan Jiangkou well known throughout Hubei Province. It earned the name “Advanced County for Conquering Poverty” in 1996 from a leading institution affiliated with the central government. A year later, it was listed among the “Ten Best Counties and Cities in Terms of Economic Strength” of Hubei Province. Also in 1997, Dan Jiangkou was named one of the “Ten Models of Economic Efficiency of Hubei Province.”

Unfortunately, just as all the news outlets of Hubei were enthusiastically reporting the success of this model and praising Dan Jiangkou leaders for their success in overcoming poverty and acquiring wealth, some negative information about these achievements was leaked.

When, in July of 1999, correspondents of Xinhua News Agency went to Dan Jiangkou to investigate, they were surprised to find that the statistical table for the month of August had already been completed for a village named Yu Zhenguan. When the leader of the village was asked why the statistical tables had been completed a month ahead of time, he replied that some villages had even completed the tables for the entire upcoming year.

Afterwards, as expected, the reporters discovered that in the Wu Dangshan Tourism Economic Special Zone under Dan Jiankou County, the village of Yuan Heguan had, by July, indeed already recorded the statistical tables for the rest of the year. Its table for December indicated that by the end of 1999 the total output value of township industries was 21,410,000 RMB, the sales income was 20,790,000 RMB, and profit was 540,000 RMB. In each of these items, the accomplishments achieved exactly 101 percent of the year plan. Tables 2 and 3, completed in July 1999, documented — five months early — the results for the month of December.

According to Zhang Dahua, who had some clerical responsibilities in Yuan Heguan Village, the town had no industries at all. Compelled by the higher authority, village leaders had no alternative but to fabricate the so-called output value of industries. The industrial income they falsified in 1998 was 2.28 million RMB; this figure grew to 7.5 million RMB, according to town employees. The town leader recorded that the town raised 385 pigs, then increased this figure to 2,010 pigs. Next, the town calculated the income generated from raising pigs at 1,000 RMB per pig and the output value went up. Yu Zhenguan Village had no industry; nevertheless, some of the officials of this town lied about an industrial income, claiming it earned 4.2 million RMB in 1998.

<table>
<thead>
<tr>
<th>Year</th>
<th>GOVIAa (in millions)</th>
<th>AGRb (percent)</th>
<th>REVENUEc (in millions)</th>
<th>AGRd (percent)</th>
<th>RPCHIE (percent)</th>
<th>AGRf (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>5,200 RMB</td>
<td></td>
<td>175 RMB</td>
<td>1,494 RMB</td>
<td></td>
<td></td>
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<tr>
<td>1996</td>
<td>7,200 RMB</td>
<td>38.5</td>
<td>242 RMB</td>
<td>2,207 RMB</td>
<td>47.7</td>
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</tr>
<tr>
<td>1997</td>
<td>9,030 RMB</td>
<td>25.4</td>
<td>267 RMB</td>
<td>2,376 RMB</td>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>10,097 RMB</td>
<td>11.8</td>
<td>285 RMB</td>
<td>2,545 RMB</td>
<td>7.5</td>
<td></td>
</tr>
</tbody>
</table>

Notes
a. GOVIA = gross output value of industry and agriculture
b. AGR = annual growth rate
c. RPCHI = rural per capita household income
d. 1 US $ = 8.27 yuan RMB

**Table 1: Main Economic Indexes of Dan Jiangkou 1996-1998**
Table 2: Monthly Statistics Table for Main Economic Indexes of Dan Jiangkou Township Industries (1)

<table>
<thead>
<tr>
<th>Year Plan</th>
<th>Accumulation to this month</th>
<th>Percentage of year plan</th>
<th>Year Plan</th>
<th>Accumulation To this month</th>
<th>Percentage of this month (year plan for accumulation to this month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>2120</td>
<td>2141</td>
<td>101</td>
</tr>
<tr>
<td>Industries</td>
<td></td>
<td></td>
<td>1035</td>
<td>1045</td>
<td>101</td>
</tr>
<tr>
<td>Group Enterprises</td>
<td></td>
<td></td>
<td>250</td>
<td>252</td>
<td>101</td>
</tr>
<tr>
<td>Industries</td>
<td></td>
<td></td>
<td>90</td>
<td>91</td>
<td>101</td>
</tr>
<tr>
<td>Private business</td>
<td></td>
<td></td>
<td>500</td>
<td>505</td>
<td>101</td>
</tr>
<tr>
<td>Industries</td>
<td></td>
<td></td>
<td>220</td>
<td>222</td>
<td>101</td>
</tr>
<tr>
<td>Individual business</td>
<td></td>
<td></td>
<td>1370</td>
<td>1384</td>
<td>101</td>
</tr>
<tr>
<td>Industries</td>
<td></td>
<td></td>
<td>725</td>
<td>732</td>
<td>101</td>
</tr>
</tbody>
</table>


Being suspicious regarding the numbers that had been recorded, the reporters decided to investigate further. They discovered that all of the 17 villages of Wu Dangshan Tourism Special Economic Zone of Dan Jiangkou had cheated in their reports.

First, Cha Yuangou, a village consisting of 57 families and a total of 212 villagers. It had no specialized vegetable farming except some scattered little gardens grown by families. But their 1999 report indicated that there was as much as 13 mu vegetable growth (1 mu = 666.7 square meters) in the summer and that they achieved a total output of 82,500 kg and had a 6,300 kg per mu yield. The vegetable growing area in the autumn also was listed as 13 mu. But the total output was increased to 850,000 kg, and the yield of vegetables reached 65,000 kg/mu.

Second, Zi Xia village had 16 minivan taxies doing business. Their true average income was 100,000 yuan per year. But the statistics figure for the total income of all the taxies unexpectedly became 5.4 million yuan in

Table 3: Monthly Statistics Table for Main Economic Indexes of Dan Jiangkou Township Industries (2)

<table>
<thead>
<tr>
<th>Year Plan</th>
<th>Accum. to this month</th>
<th>Percentage of year plan</th>
<th>Year Plan</th>
<th>Accum. to this month</th>
<th>Percentage of this month (year plan for accumulation to this month)</th>
<th>Output value of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2059</td>
<td>2079</td>
<td>101</td>
<td>53.6</td>
<td>54.0</td>
<td>101</td>
</tr>
<tr>
<td>Industries</td>
<td>1006</td>
<td>1016</td>
<td>101</td>
<td>21.3</td>
<td>31.6</td>
<td>101</td>
</tr>
<tr>
<td>Group enterprises</td>
<td>226</td>
<td>228</td>
<td>101</td>
<td>6.5</td>
<td>6.6</td>
<td>101</td>
</tr>
<tr>
<td>Industries</td>
<td>90</td>
<td>91</td>
<td>101</td>
<td>3.3</td>
<td>3.3</td>
<td>101</td>
</tr>
<tr>
<td>Private business</td>
<td>485</td>
<td>490</td>
<td>101</td>
<td>17.5</td>
<td>17.7</td>
<td>101</td>
</tr>
<tr>
<td>Industries</td>
<td>205</td>
<td>207</td>
<td>101</td>
<td>6.0</td>
<td>6.0</td>
<td>101</td>
</tr>
<tr>
<td>Individual business</td>
<td>1348</td>
<td>1361</td>
<td>101</td>
<td>29.6</td>
<td>29.2</td>
<td>101</td>
</tr>
<tr>
<td>Industries</td>
<td>711</td>
<td>718</td>
<td>101</td>
<td>22.0</td>
<td>23.2</td>
<td>101</td>
</tr>
</tbody>
</table>

1998 instead of 1.6 million yuan.

Third, Ba Xianguan, a village without any industry, had hundreds of mu of tea plantation and an income of 2 million yuan RMB from tea processing and sales was already counted into the total income of agriculture. But forced by the higher level officials, the village had to recount tea processing sales and income as industrial income and make a false report of eleven million yuan in industrial income, according to the village’s head Wang Fuguo.

Fourth, Mei Zigou, a village of 200 families, reported in its statistics table that the number of poultry being raised in 1998 was 33,100. But a village leader said that the real number was only 3,000.

Fifth, Min Jiagou, a village of 214 families, made a false statistical report in 1998 claiming that the villagers raised 2,700 pigs, an average of 12.7 pigs per family. The report also falsely claimed that this village raised 8,800 chickens, 40 per family by average. The report also claimed the village harvested 230,000 kg of fish out of a 10 mu fishpond, or an unlikely 23,000 kg per mu.

Sixth, Qing Pu village had to report in 1998 that its overall economic income was 15.9 million yuan in total, with 4.76 million yuan in industrial output. The average per capita income was 2,568 yuan. Liu Zhengqiang, the party branch secretary of the village, explained after a magazine disclosed the numbers game of Dan Jianghou County, that the relevant branch of county government sent staff members to quickly conceal what they did. They forced the village heads to try their best to show they did actually produce the exaggerated amounts. In the end, they barely got 481,000 yuan of industrial output value, including three woodworking carpentry families, two smithies, two tailoring families, and four bean-curd yards, which had already been counted among the income of catering. Apparently, this 481,000 yuan was too far from the falsified 4.76 million yuan. According to Liu Zhengqiang, the overall economic income of the village was at most 2.95 million yuan, which was not even enough to be close to the inaccurate 15.9 million yuan. The real per capita income was expected to be 1,500 yuan, about 1,068 yuan less than the exaggerated 2,568 yuan. Among the 258 families, there were 60 still living in poverty. Some villagers even had little food to eat. How could it be expected to become a well-to-do village in such a short period?

Clearly, the higher authority manipulated this numbers game. All the villages had to make up the statistical tables under the orders of town heads who were also driven by the county leaders. Town heads usually divided the numerical task given them by county leaders into 12 parts (one for each month) and made the figure increase monthly by a certain percentage. The last monthly statistical report was made up to be neither more nor less than 1 percent, over-fulfilling the so-called numerical task.

The workers of Da Wan village described this process of manipulation as follows.

The leaders of Da Wan village, with a population of 275 living mostly in old and shabby houses, no paddy fields and only 0.4 mu of hilly land per villager on average, falsified statistical tables in 1998 and reported that the villagers’ per capital income was 2,500 yuan and its industrial output value was 3.2 million yuan. The truth, according to the heads of the village, is that the figures were determined by the county leaders and then allotted to all villages level by level. If there was any village that did not obey, the town leaders would be punished by the county authorities.

Da Wan village was subordinate to Lao Juntang Administrative District. The district leaders assigned the duty for its villages according to the county’s order at the beginning of a year and asked those village heads to sign a written pledge. All of the village leaders were usually called to meetings with district leaders before the release of year-end statistics. The only topic of the meeting was fabrication, namely how to make the statistical numbers meet the allotted plan and look reasonable. Commonly, the village heads were asked to make a rough draft, which was then to be checked by a senior district leader. The report was not released until...
the authorities were satisfied. Da Wan village had no industry at all, and the village leaders felt it impossible to create the figure of 3.2 million yuan as industrial income. However, the district heads did not let the village leaders leave the meeting until they agreed to create the figure. The leader of Yu Zhenguan village mentioned above was forced to alter the statistics on per capita annual income time and again, from 1,800 yuan to 2,200 then to 2,450, only to satisfy the top district officials.

In fact, there had been very severe financial deficits in Dan Jiangkou County between 1996 and 1999. Of its reported 285 million yuan revenue in 1998, the county borrowed 17 million yuan from banks. In addition, nominal income amounted to only 118 million yuan. Even after this deception was exposed, the head of the county still boasted in a newspaper in July 1999 that the county’s industrial profit increased by 92.5 percent over the previous year. The real growth rate was only 0.6 percent.

Analysis

Statistical fabrications are in the self-interest of public officials. Adam Smith’s concept of “economic man” (Smith, 1776), one motivated by profit and self-interest, can explain the fraudulent record-keeping in Dan Jiangkou County. Every person’s self-interest serves as the starting and ending point for his or her conduct (Ma, 1998). For government officials, the incentives to fabricate statistics include promotion, honor, and salary increases.

For a republican government, government workers share the same goals and interests as the member of the public who they represent and serve. If government workers try to achieve the demands and needs of the public, the rewards workers earn will be fair and legal. Perhaps only those public servants who make their own private goals synonymous with the public’s interests are qualified to lead. What the leaders of Dan Jiangkou pursued was wrong — not for seeking honor or higher salaries — but for the means they utilized in the pursuit of their self-interest. This case proves that the leaders of Dan Jiangkou cared nothing about the interests of the public they served. Their only interest was personal. They sacrificed the people’s interests in return for their so-called governing achievements, and they ignored the principles and spirit of administrative accountability.

It is important to study the causes of the deception in Dan Jiangkou County and to propose the means to treat dishonesty in government. The problem has its roots in morality as well as in the system of rule. In China, which is a developing country, the concept of “system” preceded the concept of “morality.” Without setting up a serious rational system of rules and regulations, people cannot expect good governance. This has been proven time and time again by China’s history of administration. Let us now put aside the discussion of ethics in government and focus our attention on the problem of materialism within the system.

There exist at least three factors responsible for the system defects we have seen in Dan Jiangkou province and elsewhere. First, the statistical system in use is one that makes it easy for governors to deceive the public. Currently, most agricultural economic data are collected without independent investigation by the local government’s leaders. The statistical system now in use has been in place for more than 50 years. Whether during the prior period of the Planned Economy, or in today’s market economy, individual leaders’ incentives determine the character of statistical-reporting. In an atmosphere in which an official’s promotion is largely decided by a statistic, who doubts that an official not accountable to the public and not having an ethic grounded in honesty will lack sensitivity to either accountability or honesty, and what will keep leaders from lying? I cannot say that local officials who record and report fabricated statistics will produce negative outcomes in all social circumstances. However, in China, I can say it will. Being in charge of record-
ing and reporting statistical data, officials find it tempting to falsify their achievements.

Considering this problem, the best way to solve it is to separate those who maintain the statistics from those leaders who have anything to gain from falsifying the numbers. The data documenting economic and social development should be collected by a sampling survey which remains independent from local administrators. The following must be ensured:

There is no temptation for individual statistical surveyors to falsify or alter data in pursuit of personal interests.

The agency is truly independent in selection of personnel and financing; therefore its work will rarely be interfered with by any outside elements.

The agency works with objective means of surveying and operates according to a set of strict scientific standards.

Currently, there exists a branch of government named the Rural Statistical System, directly subordinate to the State Statistics Bureau. Its role can be expanded to oversee the accurate and honest recording of village statistics.

Secondly, the Chinese administrative system currently measures administrative performance improperly, tempting local government officials to cheat. For a long time, agricultural output and rural economic development have stood as key criteria for assessing the performance of local governors. Since the "Great Leap Forward" in 1958, the pace of development (output value most often characterized through statistics) has become the decisive factor that determines a governor’s success and destiny. The phenomenon of officials' success and/or failure resting on the statistics they have recorded decisively compels local officials to fabricate the numbers — this game of numbers has already formed part of the culture of administration in China.

In a highly centralized system, the lower level officials are usually sensitive to the goals and intentions of the higher officials. For example, during the era of Mao Zedong, a well-known governor of Huan Jiang County, Jiang Xi Province, told a tremendous lie to the whole country: He claimed that the county's rice land produced a harvest of 65,000 kg per mu (Wang, 1998). Even in today's market-oriented period, the traditional administrative culture that accepts playing games with numbers persists. Because of years of falsifying statistics, the output of farm and livestock products officially reported in 1995 was inflated by 40 percent (Lu, 1999).

The way to resolve this problem is to sever the link between the inflation of economic results and officials' monopoly in creating and reporting statistical data from which they will reap personal and professional credit.

At all levels, including township, county level, prefecture, provincial, and national, the government must understand its duties. Indeed, it was a great turning point for China to change its focus from a class struggle to a struggle for economic development. But this does not mean that the government should assume the role of CEO. In a market-oriented economy, private companies must function with market discipline. The main role of government should be to gauge the market's omissions and deficiencies, and to promote social equity and justice (World Bank, 1997). China's Premier lectured at the China National School of Administration last June and called for the government to emphasize three key areas: administering according to the law, enhancing supervision over market order, and providing public service (Zhu, 2001). These new functions, re-oriented in accordance with the market economy, will change the standards by which administrative achievement is assessed. This means that the Chinese government is going to retreat from the area of economic production and become a provider of public service. If successful, this new policy will make the practice of inflating statistics by officials absolutely ineffectual.

The government must discontinue monitoring the

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**The best way to solve the problem of accountability is to separate those who maintain the statistics from those leaders who have anything to gain from falsifying the numbers.**
"Economic achievement" of the villages. There are more significant roles for the government to play in the realm of a market economy, and the government should concentrate its efforts there: regulating the market, maintaining market order, developing an educational system, guarding the social security safety net, ensuring social relief for the poor and the weak, constructing infrastructure, protecting the natural environment, promoting democratization, and directing the growth of the economy wherever possible. In order to eliminate the basis for statistical corruption, the government must pay more attention to these governance responsibilities and distance leaders from the practical economic affairs related to production previously discussed.

Thirdly, an excessively centralized political system may stand as the most significant factor causing the problems within China's government. China has over a long period of time talked about and pursued democracy. Unfortunately, the ideal political system is still far from reach for this nation. In China's tightly hierarchical political system, most leaders set out to satisfy the officials who have appointed them rather than the residents whom they serve. The officials have in mind little else but serving the more senior leaders. Accountability, responsiveness, competence, flexibility, and honesty are essential to the operation of a constitutional government, but these qualities have little value for Chinese leaders serving in government. Even though leaders get their jobs through a formal election, there are few officials left who care about the interests of the common people when the control of the citizens' quality of life is held in the hands of leaders at the highest levels. I do not mean to suggest that the central authority does not want to maintain the good will of the people and formulate and implement policies for the government of the nation. Nevertheless, considering the gap separating the top officials from local officials, there is likely to be dishonesty and cheating among the local officials. In the end, it is the interests of the common people that have been sacrificed.

The best solution to this dilemma is to decentralize the government through political reform. Traditionally, many Chinese leaders and scholars do not recognize decentralization as a democratic concept. The traditional relationship between the central government and local governments, in particular the boundaries of power, authority, and duty, has been discussed for more than 50 years (Bo, 2001, ch. 5). There have been times when the central government tried to change the administrative boundaries between levels, by increasing or decreasing the power to control personnel matters, finance, goods, and materials. Each time, the central government transferred some duties to the local government, and subsequently transferred them back. Thus, attempts to adjust power sharing never succeeded, and most people did not even know whether the power was held locally or centrally. In my opinion, for developing countries like China, democracy and decentralization must include at least two practices: elections and local autonomy.

The central government should promote local democratic elections for governors and representatives as soon as possible. Democratically held elections will also put all local governors and congressmen under the supervision of the public who elects them, which will reduce corruption in government. I do not think there is a more important step toward achieving an accountable and responsible government than holding democratic elections. Once people have the right to elect their leaders, there will be no reason that society could not form a "government of the people, by the people, and for the people." Democratic elections have been practiced in most villages for several years. Elections are being used by some townships. They will be introduced at the county level someday, and also at the province level in the future, so the faster the government moves to adopt a system to democratically elect leaders, the better it will be for the nation and its people.

The central government should give local officials the power and authority to make decisions autonomously. The essential principles of self-government limit the power of government: Ensure that governors are elected locally to serve the local needs; force local govern-
ment leaders to work under the national constitution as guided by the nation’s macro-economic and social development policies; and perform all these local obligations according to law. This decentralization can set a direct constitutional governing relationship between the local government and its people. Decentralization can also make the boundaries between the local and central authorities clear and reasonable; it can consolidate local officials’ understanding of their responsibilities; and decentralization can enhance the democratic rights of citizens in resolving local issues. If these practices are put in place, China can speed the process of increasing government accountability and reducing the misconduct among elected officials. Responsiveness, accountability, competence, flexibility, and honesty will become second nature among the leaders and citizens of China.

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References


The Lack of Government Support for CEUSRI and Measures to Promote It

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During the 1990s a knowledge economy first began to appear in China, and the links among science, education, and the economy continue to intensify. Economic development depends not only on a state's science and education, but also upon its universities to train existing talent and to contribute to the knowledge base (Henry and Leydesdorff, 1999). Toward this end, in 1995 the Chinese government made the strategic resolution “to rejuvenate China through science and education.” Soon thereafter, CEUSRI (Cooperation of Enterprises, Universities and Scientific Research Institutions) was proposed.

However, because of the strong influence extended by the traditional planned economy system, there has been little communication among universities, scientific research institutions, and enterprises. This has lead to the separation of economic and social developments and resulted in a failure to prevent a “brain drain.”

On the other hand, enterprises are far from actively engaged in research and development. Therefore, there is not only much need for a coalition such as CEUSRI, but for research on how to make it more effective. Present research in this field focuses on how enterprises cooperate with universities and research institutions (Chen, 1999; Feng, 1997). What is missing from the research is, perhaps, the most important factor — the effect of governmental support on the progress of research. Therefore, it is necessary that government support of research be fully studied in order to promote CEUSRI in China.

Ways in Which the Chinese Government Does Not Support CEUSRI

Insufficient Funding for CEUSRI

First, CEUSRI is generally underfunded. According to a recent survey of more than 170 industrial-educational-research associations in Jiang Su Province, the most serious problem facing 68 percent is funding. According to a follow-up Shanghai CEUSRI survey, seven out of 21 projects did not start because the funding was not available, and the other eight programs made good progress, although they were badly in need of supplementary funding. Therefore, 71 percent of programs were restricted by the funding shortage (Research Team, 1999). Under such circumstances, successful CEUSRI programs typically started by means of raising funding independently or asking for a loan. For example, Stone Company in Beijing built itself up with a start-up loan of 20,000 RMB from Siji Qingxiang, and Jiang Hui Company started with a loan of 10,000 yuan. While quite a few enterprises could

Abstract: CEUSRI (Cooperation of Enterprises, Universities and Scientific Research Institutions) is an important measure for the Chinese government to carry out the strategy of rejuvenating the Chinese nation through improvements in science and education. However, there are a series of obstacles unfavorable to this measure, of which lack of governmental support is the most important one. The present paper addresses this issue and describes strategies for persuading the government to support CEUSRI.
only carry out the programs that called for small investments and quick returns because of the shortage of funding. They have not demonstrated the capability of investing in some promising high-tech achievements at universities and scientific research institutions.

Second, the mid-test phase in particular is badly in need of funding. CEUSRI does not ensure that achievements in scientific research can be directly turned into products. Because achievements in scientific research are only a kind of potential productive force (Hong, et al. 1986), they must undergo a mid-test phase to be transformed into actual products. The global sum spent on research and the sum spent mid-test are on the average a ratio of 1 to 10, but only 1 to 1.5 in China (Shunji, 1998). The serious shortage of mid-test funding means that much scientific research is prevented from turning into actual production, not to mention commercialization.

Equally important is the government's lack of speculative funding. One of the advantages of a coalition such as CEUSRI is the cooperation between the means of production and advanced (as well as traditional) technology. Risks are necessary both in developing advanced technological products and in marketing them (Quizce, et al., 1985). Although market-based risks are lessened, to a great extent, through investigation and research, they can never be eliminated completely, especially when commodities are involved.

Enterprises are incapable of assuming such risks concerning survival or extinction without government support. However, the government lacks this kind of organization for circulating funding. As a result, many promising high-tech projects are neglected.

### Insufficient Support for the Policy of CEUSRI

First, the government has insufficient support of preferential treatment for the policy of CEUSRI. Before the industry takes shape, it not only needs governmental start-up funding, but also the appropriate preferential policies to enable the industry to develop (Yang 1998). However, the government does not offer sufficient support. For example, the tax-free period for a new product in the mid-test phase in China is three years, the period in Xin Zhu Scientific Park of Taiwan is five years, in Malaysia 10 years, and in Thailand 15 years.

Second, the preferential policy is only applicable to certain districts. Generally speaking, the policy is only applied to the scientific and technological parks, which is quite unfavorable to the development of CEUSRI in non-scientific and technological areas. Take the humidifier producer, Ya Du, for example. It was forced to

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**One of the advantages of a coalition such as CEUSRI is the cooperation between the means of production and advanced technology.**

For example, "the Harvest Program," "the Spark Program," and "the Prairie Fire Program" have been carried out in the country respectively by agricultural, scientific, and educational departments. However, as the departments lack communication with each other, it is hard to plan as a whole. Each department does things in its own way. Seen from the perspective of science and technology, we know some significant scientific and technological plans are mainly geared to the needs of scientific research institutions, and few enterprises participate in them (Xiangyang, 2001).

Zhong Guan Village District in Beijing is a typical CEUSRI project. The government has not made sufficient efforts to coordinate and guide CEUSRI, putting the development of education, scientific research and the economy in a vicious cycle. In addition, some significant scientific research programs are redundant, and resources are scattered. Plentiful scientific and technological resources in this district have not been fully exploited, preventing the district from making full use of its industrialization potential.
move from its original location into Zhong Guan Village in order to enjoy the preferential policy on new products.

**Insufficient Effort on Publicizing CEUSRI**

The whole society lacks sufficient understanding of the significance of CEUSRI. Although the government at all levels makes a public show of laws, rules, and regulations on CEUSRI, those laws, rules, and regulations are always merely studied and implemented in the education and scientific research communities. They are not fully publicized in the government at all levels or in industrial departments. Therefore, CEUSRI experiences a waxing of enthusiasm on one side and a waning on the other.

**Reasons for the Lack of Chinese Government Support for CEUSRI**

An unrealistic strategy to rejuvenate China through science and education initially shows in the manner of funding scientific research. Chinese government research funding is only 0.7 percent of total GNP, which is not only far lower than the level of 2.5 percent to 3.0 percent for developed countries, but also lower than the average level of 1.5 percent for developing countries. Trends indicate that this amount is actually decreasing year by year.

In 1985, the input of funds for scientific research in China reached a high of 1.3 percent, which was close to the average level of developing countries. The unrealistic implementation also shows in education funding, which in recent years has made up about 2.5 percent of the GNP. It also shows a year by year decrease. There are five main reasons for this.

First, China’s reform of superstructure lags behind the economic reform. This directly affects talent selection and utilization, for which presently China is still feeling the negative effects of the planned economy. Because CEOs are often appointed by the government, they are susceptible to government influence or even intervention. This system often politicizes many corporate decisions and in turn nullifies the executives’ ability to help transform the government.

Second, the government makes no effort to coordinate the three elements that constitute CEUSRI. Though many of their problems on the micro-level have been solved, there are not so many steps taken for their coordination.

Third, the problem of the government’s close association with industry has still not been tackled. As the market rule maker, macro economy manager, as well as proprietor and investor in state property, the government has not found a reasonable mechanism to split roles. Although there are some changes in the “state-owned equals state-run” model, the government’s management of enterprises is almost as direct as before.

Fourth, the government’s public servants are imprinted with planned-economy thinking. To them, the government’s primary function is “to control” rather than “to serve,” namely to control humans, enterprises, markets, and society (Wang, 1999).

Finally, the market economy is still immature. Because of the great inertia of the planning system, the immature market still appears incapable of resource allocation, and the appropriate relation between the government and market in the interrelation of CEUSRI has not been established; thus, the government cannot successfully perform its macro-regulating function.

**Measures for the Government to Promote the CEUSRI**

Since China is a developing country whose market system is not perfect and whose legal system needs improving, it is especially important to strengthen the macro-control of the central government. Although the Chinese government has adopted a series of steps, such as “the Torch Plan,” “863 Plan,” and “the Central Plan of Enterprises’ Technology,” and has worked out the corresponding laws and regulations, none of these programs are comprehensive enough (Zhao, 1995).

On the basis of the government’s positive performance in resource allocation, the government should transform its function and reinforce its macro regulation upon CEUSRI, which is a necessary requirement for CEUSRI’s smooth progression (Sheng, 1995). Yet the government should focus its attention on the macro,
Building up the Administrative Organ for the CEUSRI, Overall Planning of CEUSRI in Various Regions

First, it is necessary to set up an administrative organ for CEUSRI consisting of ministries and commissions with a nationwide scope. The more than 50 years' practice after the foundation of the People's Republic of China shows that for any plan to be successful it needs to build both trans-departmental and trans-professional steering groups to coordinate it. Many projects being organized and carried out by different governmental departments now, such as "the Torch Plan," "the Central Plan of Enterprise Technology," "the Engineering Center of the Enterprise" and "the Project of CEUSRI," must contend with dispersion of capital and the repetition of research projects, which not only reduce the capital benefit, but also reduce the effectiveness of the CEUSRI.

Second, it is useful to form the coordinated group of CEUSRI in key cities where many institutions of higher education and large- and middle-scale enterprises centralize, to implement the related regulations of the administrative departments at higher levels in specific and to coordinate the relationship of different aspects of local CEUSRI. The city of Nanjing has made successful attempts in this respect.

During March 1995, on the initiative of Nanjing's municipal government, the technical medium service organization — the Promoting Party for the Development of Nanjing's Science, Technology, and Industry — was established. Its members come from 31 departments of municipal government, 49 universities and colleges, and more than 10 enterprises. The Promoting Party is popular for its function of highly-efficient service and the ability to coordinate enterprises, universities, and scientific research institutions (Li, 1997). If the government sets up corresponding administrative organs to take charge of coordinating the four forces of local government, scientific research units, institutions for higher learning, and the enterprises, it can be certain to promote forcefully further development of CEUSRI.

Setting Up and Perfecting the Assessment System of CEUSRI

In order to strengthen such work, Japan drew up a program to assess the whole process of research. According to the principles defined in the outline, the main government departments in Japan, such as the scientific and technological departments, educational department and productive department, have all enacted the corresponding specific methods to carry this out (Research Team, 2001). For example, in 1998 the scientific and technical department proposed to set up the assessment committee and invited Nobel winners, famous scholars both at home and abroad, and those directly involved with the enterprises to be the committee members to realize the assessment of the research work. Its significance to China is that during the assessment of the research stage, industrial representatives could attend. China can make use of this experience, setting up an assessment committee attended by the people from industrial circles, to evaluate feasibility and market prospects.

Perfecting the Check-up System

The current check-up system usually takes output, tax, and profit as the most important evaluative criteria. This encourages CEOs to focus only on short-term economic benefit and to ignore the technical reform and the training of the reserve scientific research personnel. Taking into consideration the condition of CEUSRI can minimize the short-term interests of the person i
charge of the enterprise effectively so that the ability of research and development can be improved.

**Improving the Assessment System of Colleges and Universities**

The comprehensive assessment system of colleges and universities should be improved. One step toward such improvement is to give CEUSRI a larger role in the process. At present, the comprehensive assessment system of the colleges and universities has a certain one-sidedness (Rong, 2000), with an overemphasis on the assessment of scientific research and teaching. It pays more attention to the training level of the university personnel, the amount of the Three Index Paper and the funding for scientific research.

The system emphasizes the development of the three prizes instead of considering how the achievements in scientific research of colleges and universities can be transformed to productive forces in the assessment system. Thus, it is necessary to perfect the comprehensive assessment system of colleges and universities and promote the reform of the personnel system. The evaluation of the professional title of the teacher and the reward incentives should fully consider the condition of the transfer of the achievements in scientific research to the industry of high science and technology. A change at the policy level would enable scientific research to develop a much-needed industrial focus.

**Methods to Create Corresponding Public Opinion, Legal and Funding Conditions to Promote CEUSRI**

First, dissemination authority for CEUSRI should be strengthened. Not only the institutions of higher learning but also the government departments at different levels are required to learn and implement the relevant documents, laws and regulations so that CEUSRI is not only the goal pursued by the institutions of higher learning and scientific research colleges, but also the common objective of the whole society.

Second, China should reinforce the construction of the laws and regulations which are bound up with CEUSRI, creating the legal environment for the coalition. At present, many fields in the society, such as scientific investment to the enterprises, the acceptance of investment risks, the distribution of benefits, and the ownership of achievements, all lack a corresponding legal basis. For example, the related scientific laws and regulations only stipulate that the enterprises have the responsibility to develop technology, but do not give detailed requirements for the scientific investment of the enterprises (Xue, 1995).

Thirdly, start-up funds for CEUSRI should be established and made available. The lack of funding for CEUSRI, especially for start-up projects, has been one of the main obstacles for CEUSRI. Because CEUSRI takes on significant investment risks, it should have considerable funds as a guarantee (Shi, 2000). If the large enterprises are required to assume investment costs, they are bound to be full of worries (Wei, 1996). Even if a project is evaluated as having market potential, it still cannot dispel the large enterprise’s misgivings about the risks. Because prediction is only inference, after all, and the market is ever-changing, the investors cannot be guaranteed to receive the corresponding profit. As to the small enterprises, beside the worries carried by the large enterprises, they are unable to handle the funding. Therefore, it is especially important for the government departments to come forward to set up start-up funding.

**Enlarging the Investment for Fundamental Research and Strengthening the Intellectual Innovations**

Innovations include technical and intellectual improvements, among which the latter is the basis for the former (Feng, 1999). After the enterprise becomes the principal part of scientific research development and demand, its main function lies in the technical innovations, not intellectual innovations. To realize the technical innovations, China must reinforce fundamental research, since fundamental research is the source for the intellectual innovations. If fundamental research is too weak, the intellectual innovations are bound to be weak (Qin, 1998; Liu, 1998). As a result, the technical innovations lack the support of knowledge and the economy will not develop continuously. According to official statistics,
funding for fundamental research in China is only six percent of all R&D funding. And according to related reports, setting aside the applied fundamental research, the pure fundamental research only occupies 30 percent. Thus, funding for pure fundamental research funds only constitutes two percent of R&D funding. Regarding this fact (He, 1997), Li Zhengdao, the Nobel prize winner, pointed out that China is neglecting fundamental research (Li, 1992).

Because the investment for fundamental research is too little in China, many promising and creative ideas are forced to remain hypotheses that are never tested. As fundamental research is weak, the scientific and technical achievements in our country are decreasing, especially as they pertain to fundamental research. Important breakthroughs in science are rare; those with economic application are even less common (Yang, 1996).

Although China is the eighth most prolific producer of scientific and technical papers, a large disparity still exists between China and papers produced in developed countries. According to the Index to the Scientific and Technical Papers of 1999, compared with the top three countries, the number of Chinese papers is only one-third that of Japan, one-fourth that of England, and one-thirteenth that of America (China Guangming Daily, 2000).

If China cannot change this situation immediately, from a long-term point of view this will do harm to the vitality of CEUSRI. How can it reinforce fundamental research?

First, China should suit the remedy to the case, that is, to enlarge the government's investment in fundamental research, or the innovative system of the main carriers of fundamental research — the universities and scientific research institutions — will be hard to maintain (Nelson, 1993).

Second, according to our national conditions, China should do all it can to keep in step with the global development in the main fields of the fundamental subjects, the new and expanding subjects and the interdisciplinary subjects, and China must continue to have achievements and innovations in the fields of subjects on which it has a good base. Meanwhile, China must aim at the important scientific and technical issues that revolve around the national economy and social development, and focus its strength on solving the fundamental theoretical and technical issues that have a close relation to the development of a social economy.

### Conclusion

The issues surrounding CEUSRI are large and cross-departmental, but because of the long-term negative influence of a planned economy there has been a serious separation of universities and research institutes from actual production. Thus, in recent years there have been many attempts to figure out how to carry out a strategy of "enlivening China through science and technology" and how to promote CEUSRI. This article is intended to present some research from the perspective of governmental administration.

In order to effectively promote CEUSRI in China and transform the scientific research resources into productive factors, the government should play a more active role. First, it should transform its function and reinforce its regulation on a macro level; second, it should set up corresponding administrative organs for CEUSRI; third, it should build up and perfect an assessment system; fourth, it should create a favorable public opinion, legal and funding environment; fifth, it should increase investment for fundamental research and strengthen intellectual innovations. The above-mentioned five points are intertwined; thus, they should be comprehensively considered in policy making.

CEUSRI is a major concern involving the government, industry, universities, and scientific research institutions. This paper only approaches it from a governmental angle, but as for how to galvanize China through CEUSRI there are still many problems.
involved, such as setting up a mechanism in which the three parties may well coordinate with and benefit from one another. These await further studies. Moreover, since China has entered the WTO, a transformation is in order at every level of the government. Under these circumstances, how the government employs the internationally adopted rules and brings domestic practices in line with international conventions need to be studied further.

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References


Estimating Models of Extreme Behavior: A Monte Carlo Comparison Between SWAT and Quantile Regression

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This study focuses primarily on best or worst case situations, that is, the extremes. In studying organizational performance, we frequently theorize that high-performing organizations differ significantly from typical ones, for example, in how they convert inputs to outputs. We hope that by understanding such differences, research can inform practice on how to improve organizational performance. What, then, explains extreme behavior? How can one identify those factors which lead an organization toward best and worst outcomes?

Recent “best practice” research in public administration has applied case studies to better understand what differentiates extreme performing organizations from average ones (Behn, 1993). Unfortunately, this approach often fails due to significant methodological problems, including the lack of suitable control group comparisons necessary to draw successful logical inferences (Overman and Boyd 1994). Two statistical techniques offer the potential to expand the use of empirical data to better understand how organizations operating at the extreme exploit input factors differently (Bretschneider, Marc-Aurele, Wu 2001). The first, known as substantively weighted analytical techniques (SWAT) (Meier and Gill 2000), is a form of iteratively weighted least squares estimation, usually employing some type of simple production function. The other, quantile regression (Koenker and Bassett 1978a,

Abstract: We are interested in theoretical explanations of extreme behavior in social and management science situations. For example, in studying organizational performance we theorize that organizations achieve high levels of performance by employing innovative or unique behavioral characteristics. Methodologically, several approaches have emerged to facilitate investigation of how extreme cases differ from the typical. This paper focuses on two quantitative approaches that provide tools for modeling extreme behavior: substantively weighted analytical techniques (SWAT) and quantile regression. We evaluate both for their ability to accurately estimate models of extreme behavior when that behavior significantly differs from the average case. Since we attempt to evaluate statistical approaches in situations where standard axiomatic approaches fall short, our strategy is to use simulation techniques where the underlying data-generating structure is known and designed to have different underlying mathematical relationships between the middle and the two extremes. We also apply a Monte Carlo approach of repeated simulations to investigate the sampling characteristics of these approaches. Finally, we apply standard measures for evaluation of statistical estimators, mean square error, to examine both the bias and the relative efficiency of each approach. The experimental results demonstrate that quantile regression provides a more accurate and reliable estimation of extreme phenomena.
1978b), also estimates parameters by using simple production functions but differs by applying a form of weighted least absolute deviation estimation.

This paper will examine these two alternative approaches for estimating parameters at the extremes of behavioral models. Specifically, we will evaluate the SWAT and quantile regression approaches based on their comparative ability to accurately estimate parameters of extreme behavior when that behavior significantly differs from the typical or average case.

Because this research attempts to evaluate statistical methods where the standard axiomatic approach fails, it relies on simulations and Monte Carlo techniques. Models are produced where the data-generating equation for the average case differs structurally from those at the extremes. Next, this situation is repeatedly simulated using standard Monte Carlo approaches in order to investigate an estimator’s sampling distribution. Making use of known information about the sampling distribution that applies to both the SWAT and quantile regression techniques, we calculate the mean square error (MSE) and use this to examine the bias and relative efficiency of each approach. The paper concludes by summarizing our results and discussing the implications of these findings to both the practitioner and researcher.

**Literature Review**

**Substantively Weighted Analytical Technique**

For quantitative political scientists, ordinary least squares (OLS) regression has become a familiar and dependable tool for the analysis of a wide range of empirical problems (Western, 1995). From the viewpoint of statistical theory, OLS estimates are unbiased, consistent and efficient (i.e. they minimize sampling uncertainty) in many situations (Neter et al., 1996). However, OLS has some limitations. For example, OLS estimates are sensitive to outlying and heavily weighted observations. In other words, OLS assumes that all the data are drawn from statistically well-behaved underlying distributions and that the model is correctly specified (Griffiths, Hill, and Judge 1993). Regardless of their origin, “outlier observations” occur often in empirical research and in practice.

In order to dampen the influence of outlying (i.e., “extreme”) cases, robust regression provides an alternative approach that is widely applicable. Suppose that we fit a local regression to explain the dependent data \( y_i \) for all values of \( i \), using a series of \( p \) independent variables \( x_{ij} \) where \( j = 1 \) to \( p \), obtaining estimates \( \hat{y}_i \), residuals \( e_i = y_i - \hat{y}_i \), \( s_i \) the standard error of \( \hat{y}_i \) and studentized residuals \( t_i = e_i / s_i \). In a standard application of OLS estimation each observation is assumed to have a weight of one assigned to it. \( W_i = 1 \) for each observation. Weighted regression transforms the estimation process to consider different weights for each observation. Weighted regression is accomplished by minimizing the exponential term in order to find values for the parameters \( \beta_k \):

\[
Q_w = \sum_{i=1}^{n} W_i (y_i - \beta_0 - \beta_1 x_{i1} - \ldots - \beta_p x_{ip})^2
\]

As compared to standard OLS estimation, the weight \( W_i \) becomes the determinant of different regressions. For example, if we let \( W_i \) equal one, we can obtain the standard OLS expression. For robust regression, the symmetric function \( W(.) \) assigns maximum weight to residuals of zero and decreasing weight as the absolute residuals grow. Hence, robust regression techniques systematically reduce the influence of “extreme” cases by under-weighting them in the overall regression. Clearly, this technique is designed to generate a regression equation that emphasizes the average case when outliers are present in the data.

Because of their interest in high-performing agencies, Meier and Keiser (1996) over-weighed the “extreme” cases, rather than under-weighting them as in robust regression. Specifically, they set a studentized residual of 0.7, from the standard OLS estimation process, as a “rule of thumb” threshold for defining high performance (i.e. fully weighted) and applied a 0.9 weight to all cases with studentized residuals of less than 0.7. This estimation process was then repeated eight additional times incrementally reducing the weight of the threshold cases by 0.1 until the weighting reached a practical lower limit of 0.1. By comparing the change in estimated slope coefficients for each iteration of this process, they observed how high-performing agencies generate different input characteristics
when compared to average ones. This technique is termed Substantively Weighted Least Squares (SWLS) regression, and its authors' assert that SWLS, "has the potential to transform the basic quantitative method of public administration (regression) from a tool that explains what is to a tool that can be used to search for what might be" (Meier and Keiser, p. 459).

In subsequent applications, SWLS's parameter estimation, e.g., the magnitude of the weighting for each downward iteration and the threshold for defining high performance, have been redefined in order to generalize it into the Substantively Weighted Analytical Technique (SWAT). For example, the threshold of high performance can be set by the analyst at 0.7, 0.8, 0.9, 1.0 and so on (Gill and Meier, 1998). More interestingly, SWAT procedures can also be implemented based on a -0.7 studentized residual to successively partition the lower end of a dataset. In this manner, SWAT may be used for modeling low-performing organizations as well as high-performing organizations.

In general, "the size of the increment is a matter of (the analyst's) choice; with a lot of cases, one can implement the process so as to end up with a smaller final weight" (Meier, Gill, and Waller, 1997, p. 5, footnote 8). The analyst could also choose to consecutively repeat this process by resetting the studentized residual partition to, say, -0.8, then -0.9, etc., until the lower edge of the dataset is reached or some other limiting criteria is met.

In sum, OLS effectively uses a weight of one for all the observations, while robust regression weakens the influence of "outlier" cases by under-weighting them in the estimation process. Conversely, SWAT places more weight on "extreme" observations, in order to explore underlying relationships at the extremities that may differ from the average case. Within the context of public administration, this methodological innovation seeks to enhance our ability to understand how top, or bottom, performing organizations behave differently from typical ones. In fact, as a technique for performance isolation and recommendation, SWAT has been used to investigate optimal performers (Meier and Keiser 1996), multiple goals (Meier, Wrinkle, and Polinard 1999a), risk averse and failing organizations (Meier, Gill, and Waller 1997), minority representation (Meier, Wrinkle, and Polinard 1999b), and the differences between good agencies and exceptional ones (Meier and Gill 2000).

**Quantile Regression**

Regression techniques involving quantiles enjoy a long history within the larger body of regression techniques that use estimates to minimize absolute deviations between predicted and actual values (Blattberg and Sargent 1971, Taylor 1974). They are a generalization of median regression, a technique of fitting that uses minimization of sums of absolute deviations first suggested by Boscovich in 1757 and later developed by Laplace (Kendall, Stuart, and Ord 1983). Koenker and Bassett (1978a, 1978b, 1982) develop the theory for the estimation of the quantiles of a variable \( y \) that is assumed to be a linear function of other variables. Bloomfield and Steiger (1980) and Koenker and d'Orey (1987) detail the exercise of minimizing a sum of absolute deviations as a linear programming problem in computing regression quantiles. Quantile regression has only gradually emerged as a comprehensive approach to the statistical analysis of linear and nonlinear response models in econometrics, political science, and other fields (Buchinsky, 1994, 1995, 1998a, 1998b).

As described by Koenker and Bassett (1978a, 1978b, 1982), the estimation of quantile regression is implemented by minimizing the expression (2):

\[
\sum_{x \in \{x_i \leq \theta \}} \theta | y_i - \beta_0 - \beta_1 x_{i1} - \cdots - \beta_p x_{ip} | + \\
\sum_{x \in \{x_i > \theta \}} (1-\theta) | y_i - \beta_0 - \beta_1 x_{i1} - \cdots - \beta_p x_{ip} | (2)
\]

Where \( y \), is the dependent variable, \( x \), are explanatory variables, \( \theta \) is the quantile to be given, and \( \beta \), are estimated coefficients. When \( \theta = 0.5 \), the solution will be identical to the estimates produced by least absolute estimation (LAE) technique. In this expression, \( \theta \) may take on any value between zero and one, thereby estimating all quantiles of \( y \), conditional on \( x \). In this sense, quantile regression is a technique that quantifies the effects of explanatory variables at different points in the conditional distribution ("quantiles") of the
dependent variable (Eide and Showalter, 1999).

The above expression also shows that the objective function of quantile regression is a weighted sum of absolute deviations, rather than of squared deviations as used in the OLS or SWAT approach. This fundamental difference in estimation technique should make quantile estimates a more robust measure of location. Another advantage of the quantile regression approach is that the estimates are statistically more efficient (i.e. they have less sampling error) than OLS estimators when the error terms are non-normal (Buchinsky, 1998a). In fact, large sample theoretical work concerning the statistical properties of quantile regression has indicated that quantile regression estimates are expected to out-perform OLS estimates in any error distribution where the median is an asymptotically superior estimator (Dielman and Pfaffenberger, 1982).

While these results apply in theory, how does this work in practice? In particular, are quantile regression estimates more, or less, accurate in estimating models of “extreme” behavior than SWAT estimates? Preliminary simulation studies by Marc-Aurele, D’Amico, and Bretschneider (2000) have indicated that quantile regression is a comparatively superior coefficient estimator for datasets containing systematically heterogeneous relationships, based on mean square error. Further, they indicate that quantile regression more accurately and reliably locates and reveals the key statistical characteristics of heterogeneous dataset phenomena.

Research Design

Simulation of Extreme Behaviors

The principle behind Monte Carlo simulation is that a statistic, any statistic calculated from data, will vary randomly from sample to sample. In addition, the nature of that variation can be simulated through the empirical process of actually drawing repeated random samples. Through that process, we calculate the target statistic for each independently drawn sample and then observe the way it varies from sample to sample. This strategy requires the use of modern computer technology to create an artificial “world,” or pseudo-population, which resembles the natural world in all relevant respects (Mooney, 1997).

Since we are interested in situations where the “extreme” cases differ from the “typical” ones within a single dataset, we must begin by defining a simple heterogeneous model for computer simulation. In this artificially simple “world,” any particular organization or agency in the underlying population produces a single output \( y \) using a single input \( x \). By definition, the more units of \( y \) for each unit of \( x \) an agency produces, the better. Extremely high-performing agencies produce relatively large amounts of \( y \) per unit of \( x \), whereas extremely low-performing agencies produce relatively few units of \( y \) per unit of \( x \).

To simulate this situation, we consider three different types of agencies, each with its own unique underlying mathematical model, as presented below in equations 3, 4, and 5. The first agency clearly produces the largest output of \( y \) per unit input of \( x \) (i.e. 20) and the third agency the least (i.e. -5).

\[
\begin{align*}
y_b &= 200 + 20x_b + e \\
y_m &= 120 + 10x_m + e \\
y_w &= 100 - 5x_w + e
\end{align*}
\]

While it is unlikely that any true organization would have a negative slope, we do this here to make the estimation process significantly more difficult insofar as it must cross the zero slope value when focusing on low performing cases. These underlying models are then used to generate three separate random samples of 200 cases each by assuming:

i) that the independent variables \( (x_b, x_m, x_w) \) are drawn from a uniform distribution defined in the interval zero to ten, and

ii) that the three sets of random errors were independently generated from a normal distribution with a mean of zero and variance of five.

Once generated, the three datasets are then combined into an integrated set of 600 cases. This simulated data then represents a single sample drawn from a pseudo-population where high- and low-performing organiz-
tions possess different underlying, but known, mathematical characteristics. This artificially designed "world" of varying agency performance allows us to test how accurately SWAT and quantile regression are able to estimate each agency’s underlying statistical parameters.

To apply SWAT and quantile regression to estimating parameters for a single sample presents some interesting challenges. Since some of the performance of these estimators will contain uncertainty, due to sampling, it is inappropriate to base our evaluation on the results of a single sample. Consequently, the procedure described above is repeated 100 times to generate 100 separate samples. Now we can apply SWAT and quantile regression to these 100 separate samples, where the underlying mathematical model is always the same. Differences can only be due to random errors associated with each case and sampling uncertainty. Because the level of sampling uncertainty is known to relate directly to the variance of these errors, we decided to investigate how the level of error effects the estimation process. We expect the estimation accuracy of both approaches to be reduced as the underlying variance increases. Therefore, we construct a second Monte Carlo simulation experiment following the procedure outlined above, except the individual case error terms are now generated based on a normal distribution with a mean of zero and a variance of fifty. In summary, we generate two separate simulations, the first with a known variance of five and the second with fifty, defined respectively as low- and high-variance experiments. For each, we generate 100 samples containing 600 cases each, where these 600 cases consist of 200 high-, average-, and low-performing agencies. Figure 1 presents an example of the low- and high-variance experiments, each containing these 600 integrated cases.

One of the difficulties in comparing SWAT and quantile regression results is that the SWAT partitioning and iterative re-weighting process is analyst selected, thus arbitrary. The precise number of cases lying on or above the fitted model surface frequently corresponds to some unusual location in the dataset, such as the 93.52 quantile. Therefore, to identify SWAT results compatible with those for quantile regression, we ran SWAT analyses for all studentized residual thresholds between -2.2 and +2.2 in .01 increments for each sample and each experiment. This process generated 440 different SWAT estimates for each sample of 600 cases, 88,000 in all over both the 100 low variance samples and 100 high variance samples. Next, we counted the number of residuals greater than or equal to zero (on, or above, the regression surface) for each of these 440 estimates associated with a sample. For example, the specific SWAT analysis that yielded 6 could then be compared to the quantile regression results at the 99th quantile, since only 1 percent of the cases were on or above the regression plane. Similarly, we identified the SWAT estimate that had 12 residuals greater than, or equal to, zero for comparison with the quantile regres-
sion at the 98th quantile. In this fashion, we were able to generate SWAT estimates that exactly corresponded to those for quantile regression.

Quantile regression directly generates results for specific quantiles so a search process was not required. For each sample, we produced all the quantile regression results from the 99th to the first quantile. Each analysis represents how a specific quantile of \( y \) is conditional on \( x \). Thus, when we focus on quantiles above the 66th, we should observe that our slope and intercept estimates come closer to the true value of the high-performing agency (i.e. \( y_6 = 200 + 20x_6 \)). Alternatively, as we move below the 33rd quantile, slope and intercept estimates should increasingly approach those of the low-performing agency (i.e. \( y_6 = 100 - 5x_6 \)).

As an iterative re-weighting application of OLS, SWAT takes a completely different approach than quantile regression. Despite these differences, they both attempt to estimate slope coefficients and intercepts that are changing by design in our artificial “world” as these cases in the tails, or extremities, of the dataset are emphasized. To compare these two techniques, we use a metric traditionally employed in Monte Carlo studies to examine how accurately each approach estimates the true known values.

**Analysis of Results**

Tables 1 and 2 summarize the basic results of our Monte Carlo Simulation for the lowest and highest quantiles of the datasets by presenting the true value for each slope and intercept (as simulated) by quantile along with the average estimate per technique for the 100 separate samples included in each experiment.

Examining Table 1, the low-variance experiment, we note in general that both the quantile regression slope and intercept estimates are significantly closer to the true values than the SWAT statistics. However, this result is not symmetrical. There appear to be some differences in performance, especially for SWAT, depending on whether one examines the lower or upper tail. Table 2 presents similar results for the high-variance experiment. However, the higher variance reduces the ability of both techniques to accurately estimate the true values, although qualitatively the quantile regression approach displays more accuracy, especially when estimating slope. In particular, the quantile regression slope estimates in the lower tail, where the true value

### Table 1: Average Estimate of Intercept and Slope for SWAT and Quantile Regression (QR) for Low-Variance Experiments (100)

<table>
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<th>True Value</th>
<th>Average SWAT EST</th>
<th>Average QR EST</th>
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Table 2: Average Estimates of Intercept and Slope for SWAT and Quantile Regression with High-Variance Experiments (B=100)

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<th>Quantile</th>
<th>True Value</th>
<th>Average SWAT EST</th>
<th>Average QR EST</th>
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is -5, range from -2.796252 to -4.597888 versus SWAT's range of -2.0 to -9.78.

To more completely compare the performance of these two techniques we make use of the mean squared error (MSE) criterion. Computationally,

$$MSE = E (\text{Estimate} - \text{True Value})^2 = \text{Bias}^2 + \text{VAR (Estimate)}$$

where $E$ and VAR are the expected value and variance operators, respectively. From the expression above, we observe that MSE encompasses both the extent of estimator bias when the sampling distribution is not centered on the true value, and how much sampling uncertainty, or spread in the sampling distribution, it produces. When used to compare two alternative estimators, statisticians typically calculate the MSE ratio, or relative efficiency, to judge them (Wonnacott and Wonnacott, 1977). The following is the relative efficiency (RE) formula:

$$RE = \frac{MSE (\text{SWAT})}{MSE (\text{QR})}$$

In this context, RE measures the relative amount of sampling variation generated by each technique. If RE is greater than one, quantile regression is more statistically efficient and generates relatively less estimate uncertainty in comparison to SWAT. For example, if
the MSE ratio is 157 percent, we observe that quantile regression is 57 percent more statistically efficient than SWAT. Conversely, if the RE is less than one, SWAT generates lower estimate sampling uncertainty than quantile regression. Tables 3 and 4 present the MSE results for the low- and high-variance experiments, respectively.

Firstly, quantile regression estimates under low-variance consistently dominate SWAT estimates. In every instance, quantile regression is more efficient than SWAT, often by as much as 1,000 percent. These unambiguous intercept and slope coefficient results apply to both the upper and lower tails. In the high-variance experiment quantile regression does not consistently exceed SWAT, although it continues to perform well. Table 4 shows that, while quantile regression is more efficient in estimating slope coefficients, SWAT is better at estimating intercepts. Specifically in the lower tail, SWAT is always more efficient at estimating the intercept, but quantile regression out-performs SWAT 10 out of 15 times in slope coefficient estimation. Overall, the performance of quantile regression improves in the upper tail where SWAT is a more efficient intercept estimator only 9 out of 15

<table>
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<tr>
<th>Quantile</th>
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<th>MSE of SWAI Slope</th>
<th>MSE of QR Intercept</th>
<th>MSE of QR Slope</th>
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<th>Relative Eff: S/QR Slope</th>
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times, while quantile regression is more efficient at slope estimation 14 out of 15 times.

SWAT appears to improve its relative performance in high-variance circumstances. Also, the average MSE scores for SWAT in both the low- and high-variance experiments are consistently better in the lower rather than the upper tail. The opposite is true for quantile regression. However, these results may reflect the design of our three models (3), (4), and (5), which features an asymmetrical data distribution. In particular, we note that the low-performing agency’s slope (5) is further away from the average-performing agency’s slope (4) than is the high-performing agency’s value (3).

Overall, quantile regression tends to produce more accurate estimates with the exception of the intercept under high variance conditions. One way of thinking about these results is to notice that two parameters shift in the simulation, both the slope coefficient and intercept. As the degree of uncertainty increases, SWAT has a more difficult time identifying whether the shift in the true underlying values is in the intercept or slope. While this is also true for quantile regression, it appears to track the slope coefficient better. In most real situa-

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Conclusions

The question that originally motivated this study was how we can estimate, or empirically quantify, high-performing (or low-performing) organizations, and differentiate them from the typical case. The two techniques that we considered, SWAT and quantile regression, impose some restrictions or involve implicit assumptions. Both assume an identifiable underlying heterogeneous model featuring systematic differences in how high- and low-performing organizations convert inputs to outputs. Our simulation considered only the simplest form of this artificial "world," namely a composite two-dimensional dataset containing quantifiable differences among three known underlying groups of performers. The comparative ability of SWAT and quantile regression to accurately measure these differences is examined by employing a Monte Carlo strategy.

Quantile regression is generally shown to be more accurate in estimating how high- and low-performance, (i.e. "extreme") cases differ from typical ones, at least under the assumptions embedded within our simulation. It is noteworthy that these more accurate estimates also generate less sampling uncertainty. Our findings are consistent with previous research that evaluated the ability of these techniques to estimate extreme behavioral models (Marc-Aurele, D'Amico, and Bretschneider, 2000; Bretschneider, Marc-Aurele, and Wu, 2001). Another interesting insight is that if samples contain sub-groups of high- and low-performers, as a result of different underlying parameter regimes, the empirical distributions will clearly exhibit heterogeneity of coefficients and variances.

A primary reason for conducting this study is to assist researchers, or practitioners, who may be thinking about applying either of these techniques. In the absence of substantive information, application of either approach to real world data has the potential to conclude that significant differences exist when, in fact, the results are only the product of sampling error. To illustrate this point, consider the instance shown in Figure 2. It presents empirical results from a real world dataset developed by Meier and Gill (2000) and included in chapter 4 of their recent book. Using a multiple regression production function model to explain Texas school district exam pass rates, Figure 2 reveals how the SWAT and quantile regression techniques produce dramatically different slope coefficients for the effect of the independent variable Class Size on the dependent variable Pass Rate. As these coefficient estimates move more and more out into the upper tail of the distribution, the two techniques predict opposite outcomes. SWAT results suggest that Class Size is having a positive growing effect on the Pass Rate for high-performing districts, while quantile regression indicates a shrinking effect. Which is correct? While the results of this study might lead us to conclude that the quantile regression estimates are likely to be more accurate, this may not be the case. Remember that our investigation used simulated data and a very simple model, while the Texas school district results are embedded in a complex multi-variate model employing eleven independent variables. Also, our simulation involved a sample size of 600 observations per sample while the Texas school district study had 534 cases.

This highlights why preemptory testing of analytical tools is so important and that more simulation-based research is needed, especially in public administration. Future research should simulate situations where the underlying model has multiple inputs and,
in addition, where some of those inputs are correlated with one another. We should investigate the effects of sample size, and how the level of underlying uncertainty (i.e. random error fluctuation) affects techniques like these. Until researchers and practitioners have more extensive simulation information, we should not simply apply SWAT and quantile regression to real world data and assume that the empirical results will be meaningful.

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Stuart Bretschneider is a professor of Public Administration and Director of the Center for Technology and Information Policy at The Maxwell School of Citizenship and Public Affairs. His primary fields of research are public organizations' use of information technology; how public organizations employ forecasting technology; and how sector differences affect administrative processes. He is a former managing editor of the Journal of Public Administration Research and Theory, as well as a past president and director of the International Institute of Forecasting (IIF).

Rick Marc-Aurele is a Ph.D. student in Public Administration at Syracuse University's Maxwell School and a research associate at the Center for Technology and Information Policy.

Acknowledgement

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Endnotes

1. Outlier is a familiar concept in statistical theory that has fascinated experimentalists since the earliest attempts to harness and employ the information implicit in collected data. Grubbs (1969) defines it this way: "An outlying observation, or 'outlier', is one that appears to deviate markedly from other members of the sample in which it occurs". Neter et al has given an even simpler explanation, "Outliers are extreme observations" (Neter et al., 1996).

References


Aspects of Citizen–Public Services Relationships: The Case of Greece

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The 1980s will go down in the history of administration as a decade of rapid and often unforeseen changes. Throughout the world, previously unthinkable administrative reforms took place. New administrative institutions, new staffing and personnel administration policies, streamlined organizational patterns, structured models for flexible functioning and, of course, the systematic spread of administrative information systems made up the panoply of contemporary programs for the reform of the administrative state.

Undoubtedly, these changes have transformed day-to-day administrative practice and have shaped public services of a new type. The appearance, and the actual functions, of many public organizations have changed. It would be no exaggeration to emphasize that these changes, which have been adopted by states with differing historical backgrounds, economic development, culture heritage, and demographics, have brought about a revolution in the theory and practice of public administration.

The triumph of market forces, the globalization of the economy, the dizzying development of information systems, the Internet, and the “shrinking” of the globe by telecommunications are some of the factors which marked the “end of geography” (Kouzmin, 1995, p. 1). These conditions have given rise to a re-orientation of state action, the liberalization of sectors of state intervention, and the development of re-organization and de-bureaucratization policies. A practical consequence has been that the mission, the role, and the purpose of public services have changed. A new model of administration, differing from the bureaucratic one, has emerged. This model, called New Public Management, predominates as a world-wide trend in administrative reform.

The present study will investigate the nature and content of this new administrative model, calling attention to the fact that at its core it seeks to improve the relations between the state and citizens; the study will then describe and assess the measures and policies that have been implemented in the Greek public service. More specifically, the study will analyze measures and policies in the Greek legal system. It will emphasize the repetition over time of certain measures and suggest that a necessary condition for the modernization of these measures and policies is the fundamental re-invention of the administrative system.

New Public Management: The New Administrative “Paradigm” of Administrative Reform

Bureaucracy as an object for investigation has attracted the interest of many analysts. Sociologists, economists, political scientists, historians, and, of course, adminis-

Abstract: A number of governments, falling along a range of political persuasions, are pursuing service quality initiatives. A focus on service quality is part of the general direction of public sector management reform. Quality policies are responsive to economic progress and social needs. Although service quality is affected by many things, citizen-public service relationships are fundamental. The social need for a modernized Greek public administration has been posed many times. Public policies seeking to reform public administration in Greece have been designed with a particular emphasis on the complex policy space of the relationships between state services and the citizens. Using the New Public Management as a theoretical framework, this paper examines critically how these relationships have been organized. Methodologically, the paper is based on the content analysis of relevant official reports, documents and administrative archives. The paper reveals that the discussion of this reform, the measures adopted and the reforms themselves are often recycled.
Bureaucracy is at one and the same time a phenomenon of historical importance and of significant ambivalence.

Bureaucratic procedures, the multiple levels of administration and hierarchy, operate as factors causing the observable distrust of citizens toward administrative institutions?

These questions have long occupied analysts and public servants who are looking for ways of dealing with the crisis of governance from which contemporary administrative systems suffer. At the very center of these explorations is the practicality of the moral obligation of every public servant to satisfy the needs of citizens. Consequently, one approach to the design and organization of public services, a normative one, stresses that the functioning of any type of public service is not dependent upon public problems. On the contrary, public organizations exist and must operate for the society and not for "themselves." No public service has a specific value in itself, nor is it legitimated when it acts as an end in itself. In the developed economies and in democratically structured and operating states, the relations of public services with society are determined by their role, their mission, and the criteria used to mark their distinction from private enterprises. The New Public Management and the practice of the current administrative reform programs expresses this structural approach.

Although the term "New Public Management" is variously defined, (Ferlie et al. 1996, p. 10), agreement exists about the steps required to move from a bureaucratic model of organization to one that, according to Gray (1999), "is business-like but is not like a business." New Public Management, without eliminating the classic and universally accepted values of impartiality, neutrality, and lawful action, also emphasizes the need to adopt the principles of open, transparent, high-quality, effective, and efficient administration. A fundamental administrative change lies at the center of this tendency — not the constant increase of inputs, but a better use of limited resources. The New Public Management and corresponding reform programs (Frederickson, 1999) call for an extroverted public administration.

An administrative system that is bureaucratically
design is interested more in procedures; it operates more or less satisfactorily for the internal customer (the bureaucrat), but questionably for the external customer, the citizen. Bureaucracy ensures legitimacy through an absolute and unbending devotion to procedure, while in the New Public Management, administration gains legitimacy through results, as defined by the satisfaction of the expectations and needs of the citizens. The objectives of administrative action in New Public Management must rest on the satisfaction of these needs. This setting of targets has changed the manner of conceptualization and understanding of public services. The citizens are the final judges of the services with which they are provided, and it is they who trust (or distrust) the institutions of administration. The period of history in which the citizen was regarded as the passive recipient of certain goods and services has passed; now administrative policy for the reform of the state centers on citizens — their wishes, needs, expectations, and demands are the basic criteria for administrative decision making.

A strategic aim of most, if not all, of the administrative reform programs devised in recent years has been the redesign of a public administration oriented toward results, defined as the satisfaction of the needs of the citizens. The re-orientation of administrative action toward the citizen is of major importance when contrasted with Merton’s classic description of bureaucratic behavior as that tied to administrative procedures incapable of assisting and serving the citizen (Merton, 1940, p. 563).

To sum up, it could be said that the New Public Management expresses a model of administration which is oriented towards the citizen. The satisfaction of citizens needs determines the logic of the organization and functioning of public services. According to the philosophy of the New Public Management, every public service must have an extroverted orientation. For the New Public Management, public organizations of every type must avoid servicing their own needs, or servicing bureaucratic priorities which render bureaucracy difficult to access. Such public services may enjoy a self-referential type of legitimacy that is insufficient for long-term survival. In other words, the relations of citizens with the public services founders on citizens who do not trust the bureaucracy.

New Public Management and contemporary administrative reform programs express a philosophy of open administration based on principles that determine the content of the emergent administrative model of post-bureaucracy (Barzelay, 1992; Kernaghan, 2000).

The public record reflects a need for the modernization and administrative reform of Greek public administration, even though reforms have been heralded many times. Leaders have repeatedly developed programs with the purpose of improving the services provided to citizens. Laws and presidential decrees, ministerial decisions, and other measures have emerged habitually to simplify administrative procedures and to improve the flow of information to citizens.

This study will report development in this crucial field as it takes shape in the Greek administrative system, examining the policies and measures introduced in this direction. This report reveals, first, the recycling of the same measures that have been taken from time to time, retaining the essence of the need for modernization in the relations between public services and citizens, and, second, the formulation of basic questions that administrative research should face.

The On-Going Demand for Administrative Reform: State–Citizen Relations at the Center

Public administration as an object of study and as a field for political confrontation has been at the very center of debate in recent years. More than one proposal has been formulated that puts forward ideas on improvement and combating the courses and consequences of bureaucratization. The ultimate aim and
objective of all these is to overcome the administrative crisis (Makridimitris, 1991; 1996) through which the entire Greek administrative system is passing and whose consequences and side-effects are diffused throughout society.

Since the mid-1980s, the demand for administrative reform has become more topical than ever. During that time, there was an increase in the output of studies, plans, and reports dealing with the pathologies of the public administration and their necessary “cures.”

In greater detail, one of the recommendations of a report by the Center of Planning and Economic Research was to improve relations between the state and the citizen. Special weight, according to the report’s authors, should be attached to the following:

1. Transparency in administrative action and in the participation of the citizen in it;
2. Simplicity and speed of public administration;
3. Mutual trust and co-operation between public services and citizens;
4. Exploitation of new technology, chiefly information science, in public administration, balanced with protection of the citizen from abuse and interference in his/her private life;
5. Social control of public administration.

However, a few years later a new report noted that “it is no longer sufficient that administrative action should be lawful; it must be accompanied by effectiveness in terms of the satisfaction of the needs of the public.” A 1997 report (published in Makridimitris and Michalopoulos, 2000), proposed the following administrative principles that ought to govern state-citizen relations:

1. Administrative simplification;
2. Organization of two-way communication between public administration and the public;
3. Creation of consultative structures.

These guidelines were adopted by a 1997 strategic plan, which set as the mission of the public administration its operation in terms citizens expect (Ministry of Interior, Public Administration, and Decentralization, 1997, p. 13). Including public administration within the international competitive environment, this strategic plan placed citizens at its axis of reference. A year later, a new program, titled “Quality for the Citizen,” set the needs of citizens at the center of its aims (Ministry of Interior, Public Administration, and Decentralization, 1998), while in the same year, a report described as pathological the hostile image that society held of public administration. It was, then, perfectly reasonable that in this report, satisfaction of the public should be set as a strategic aim of administrative modernization.

The improvement of relations between the public service and citizens is an on-going issue. The reports cited above and corresponding empirical research (Vima, 2000; Kathimerini, 2000) confirm the unsatisfactory nature of these relations. Consequently, the crucial question that arises and to which this study will turn concerns the recovery of confidence in the public service by citizens.

The Legal Framework of State–Citizen Relations: A Historical Review.

Reform movements, both frequent and dense, have characterized Greek government efforts at improving relations between citizens and the public service. From the time of the decree “concerning the delivery of reports and decisions” until more recent legislative regulations, history records numerous attempts to improve the services provided to citizens.

In fact, from the time of the bourgeois modernization of Greek society (Mavrogordatos and Hatzioioph, 1998; Makridimitris, 1997), the legislature has taken care to force public authorities to respond effectively to citizens complaints. Thus, Act 149/1914 established, in Article 2, the obligation of replying to citizens’ reports in principle within 30 days and of sending the reply by post. In the event of an administrative omission in this regard, disciplinary penalties range from a 20 drachma fine to dismissal.

Legislative Decree 3983/59 attempted to improve the relations between the state and citizens. Its stated aim was a functional improvement of the public services. More specifically, provisions were made at that time for setting up a service to investigate complaints within each ministry (Article 1), while an information
An improvement in state–citizen relations was a constant feature of the policy on administrative modernization in the 1990s.

and complaints office was set up in each prefecture (Article 3). Article 5 adopted a form of "one-stop service." The measure places the onus of searching for supporting documents on the authority to which the relevant application was submitted rather than the applicant.

However, from the mid 1970s, we can observe attempts to improve the relations of the state with citizens. In an effort to combat bureaucracy, which at that time also was regarded as the source of distrust of the public administration, Greek officials issued a circular ordering simplification of administrative language (Varvaressos, 1979, p. 8). At the same time, moral and pecuniary incentives grew to urge civil servants to study and propose ways to combat bureaucracy (Presidential Decree 248/76). Furthermore, the “Center for Administrative Information,” known as the “177,” came into being (article 27, Presidential Decree 770/75 Government Gazette 248) to provide citizens with information about the administration. This inter-ministerial center served as the model for the Ministry of Education.

The Consumer Service Bureau also began operating at the Ministry of Commerce. The bureau provided services to citizens–consumers, either by telephone or through issuing information pamphlets. Various other measures attempted to simplify administrative procedures in various fields (pensions, birth certificates, building permit, etc.) (Varvaressos, 1979, p.10).

In the 1980s, the government issued a series of regulations aimed at building trust between the state and citizens. More specifically, within various frameworks, the Ministry to the Presidency of Government Citizens’ Communications and Information Bureaus served as independent organic units within ministries, reporting directly to the minister. However, a few years later, a more widely-known law — 1599/86 — attempted to improve the terms of service to citizens. For these purposes, the law set up citizens’ communications and information bureaus in every prefecture and allowed for similar bureaus at the local level by a decision of the municipal council, provided that the population of the municipality was larger than 20,000 (Article 17). These units had a broad field of action that covered areas such as briefing citizens, accepting suggestions and proposals for improving relations between the state and citizens, issuing information bulletins, allowing visits by citizens, and assisting them in their communications with various public services. To supplement these organizational interventions, the dispatch law stipulated document and certificates by post within specific time-limits given on application forms (Article 12, para. 1). In the event of an application reaching a service unit not able to deal with it, that unit must forward it to another service unit and inform the interested party (Article 12, para. 5). Furthermore, Article 13 Law 1599/86 allows for the possibility for each minister, in cooperation with the Ministry to the Presidency of Government and of Finance, to issue ministerial decisions that determine those matters on which citizens could deal with one service unit.

An improvement in state–citizen relations was a constant feature of the policy on administrative modernization in the 1990s. Act 1943/91 established a complex of legal norms to improve the functional effectiveness of the public service and enhance services provided to citizens. In effect, these were normative regulations that prescribed 60 days as the maximum time for processing of citizens’ affairs, while for information, certificates, supporting documents, and certifications, this time-limit was set at up to ten days (Article 5). At the same time, (Article 5, para. 7), in cases where public services do not respond to the citizens within these fixed times, the citizen has the right to ask for compensation (decided by a specific committee) ranging between 5,000 and 200,000 drachmas.

Furthermore, according to Law 1943/91, each minister, in coordination with the Ministry to the Presidency of Government and Finance through a ministerial decision, determines measures that enhance the transparency and publicity of administrative actions.

A few years later, leaders introduced new methods for citizens’ communications and information. Specifically,
Article 22 of Act 2539/97 made it possible for citizens to submit some applications by telephone (Ministerial Decision no f.2912145/30.1.98) through the Telecommunications Organization of Greece. Furthermore, a series of circulars (DISKPO/F. 8/15391/22.9.99, DISKPO/F. 8/19753/24.9.99) activated Citizens’ Information Bureaus in second-level local government to supply citizens with better information on the local administration.

Conclusion

The above description of the legal framework that regulates state-citizen relations gives rise to some crucial and interesting thoughts on the way these relations are structured and, more generally, on the prospects for administrative re-organization and reform in Greece.

Interest on the part of the state in the effective structuring of public administration has been constant. From 1835 onwards, no period has passed without normative regulations introduced for functional restructuring and energizing effective action by the public services. All of these have expressed the practical and moral obligation of the public administration to serve and inform citizens and to satisfy their needs by supplying services and goods citizen demand.

Nevertheless, from the point of view of administrative assessment and, more particularly, of the New Public Management, we can raise certain crucial questions. That is, what logic do these various regulations express? How are the aims they pursue described? Are these aims formulated with regulatory force? What results have been achieved? What indices exist for evaluation and assessment? Has the Greek public service learned to correct errors, as manifested by complaints, dissatisfaction, or distrust?

The reasoning about state-citizen relations in Greece revolves around three axes. In each case, the public service must set time limits for replies to citizens, utilize up-to-date technology, and discipline civil servants who perform their duties in an improper manner.

In this way, however, these relations only change procedures for the provision of the services. The relations of the public services with citizens become procedural in nature. The policies followed go no further than redesigning the procedures for information or communication, leaving the content of the services unaffected. The aim of the whole of the regulations is concerned primarily with the method, rather than the nature, of the services. A fortiori, reformers do not touch upon the question of which services are to be provided to the citizens. Such a logic of shaping the relations of the state with citizens, one that has prevailed over time, replaces objectives with procedures, and has elevated procedures into an objective.

It will be obvious that an improvement in these relations is only marginally achieved by policies of this nature. They ensure legitimacy through the reform of communication procedures and not the content of the relations. Such public policies do not touch upon the “essence” of the administration, but refer to the “appearances” of public services, converting state-citizen relations into an issue of communication. Public policies that express themselves in terms of regulation either through establishing deadlines or through setting up compensation committees do nothing to eliminate the bureaucrats’ domination relationship that has developed between the public service and citizens. Such public policies fail to de-bureaucratize administrative reform, but rather recycle bureaucracy, a pathology that has had a definitive effect on state-citizens relations. Bureau-citizen relations are unequal and do not change when the improvement sought is not accompanied by a “re-foundation” of a systemic type.

The reform of state-citizen relations must follow profound structural reform in the public service and in the state. An issue of the New Public Management, structural reform models must include an extroverted orientation, by the establishment of mechanisms for the assessment of the desired results, and by de-bureaucratization policies, which express the sui-generis logic of the “dynamic conservatism of bureaucracy” (Kickert, 1993). Administration marketing fails to ensure the adjustment of public services to the needs of citizens and of society. Adjustment comes through policies involving the structural adjustment and functional modernization of the public services. The experts’ report proposes decisions of this nature on the reorganization of the Greek public service, but the proposals have not been incorporated into day-to-day administrative functioning and practice.
On the contrary, as can be seen from the analysis of the statutory framework that has gone before, citizen-public service relations re-emerge as an issue from time to time, raising justified questions as to whether a new — in the literal meaning of the term — public policy of modernization will form and take root. Although measures have been taken in Greece, they do not seem to constitute the operational outcome of a strategic program of administrative reform. Such a reform is not achieved by the steady and constant repetition of regulations that do not re-determine state-citizen relations.

The restatement of these relations on a new basis requires fundamental reform. The orientation of the public service to the expectations of citizens means that public services operate as open, transparent systems in which the citizen is not treated only and exclusively as a legal subject, but as a customer. The transition from an administration of procedures to an administration of results, something that is universally desired, presupposes a “customer-centered” orientation of the public services. The New Public Management, as a model and discourse of administrative reform, is not confined to optimizing information and communication with citizens. Such an interpretation of the New Public Management is narrow. From this point of view the reform in Greece is restricted to superficial issues covering the necessity for an administrative re-foundation. However axiomatic, reinvention of the administrative system must precede the legitimization of administration and the recovery of citizens’ trust.

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