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FORWARD

Ji Guo
President of Chinese Public Administration Society

The 21st Century is full of changes, which presents both opportunities and challenges to the field of public administration. Dealing with the myriads of anomalous situations including wars, transnational epidemics, terrorism, financial crises, serious security related accidents, and transportation casualties has become a very important part of the public administrators’ daily work. While the traditional practice of public administration is becoming more difficult due to scientific and technological improvements, as well as economic globalization that has been complicating socio-economic development, emerging issues are bringing about enormous transformations and challenges to government administration. Governments around the world must make appropriate adjustments to their administrative means in a timely manner so as to be able to serve their citizenry more efficiently and satisfactorily. Governments have to respond to the domestic and international environments rapidly to steer economic development and to play a significant role in social life, as well as ensuring social stability and development. In a changing era, environment and techniques of public administration are consistently encountering fundamental changes. Therefore, the theory and practice of public administration in each country are also being challenged.

The School of Public Administration of Renmin University of China hosted the 2nd Sino-U.S. Conference of Public Administration that was co-sponsored by the Chinese Public Administration Society (CPAS), the American Society for Public Administration (ASPA), Rutgers University-Newark, and the Chinese Public Administration Review (CPAR). This conference provided a good venue for exchange and communication between practitioners and academicians in the field of public administration from different countries. It is a great honor that we invited experts and scholars from so many countries and regions. The conference attendees made significant contributions to the discourse on various issues that are of wide concern.

Right after the 1st Sino-U.S. Conference of Public Administration, the Chinese government adopted a scientific development principle that is people-oriented and emphasizes comprehensive, harmonious, and sustainable development. The Chinese government, under the new leadership, has adopted policies aimed at furthering transformation of government functions and advancing the administration according to law. The achievements that have been made include: the Chinese government is paying more attention to the study of crisis management with a focus on crisis prevention, and has established an emergency response mechanism; the government is actively improving e-government practice and trying to heighten transparency as well as efficiency of government performance; the government has established a series of social service policies to solve social issues such as unemployment, public health, and social security; the government has promulgated “Fully Facilitating the Implementation Outline of Administration by Law” and the “Administration Licensing Law,” which tremendously transformed the functions of Chinese government and its ways of administration.

MPA education was one of the important topics that have been discussed during this conference. The overall quality of government officials is of critical value to a government that is now playing a significant role in a competitive international environment. The Chinese government initiated an MPA education plan in 2001, and a specific secretariat was set up in the Renmin University of China to coordinate the research related work in China’s higher education and research institutions. To study and summarize the planning, practice, and outcomes of MPA education in China as well as to learn from other countries like the U.S. is beneficial to the task of training Chinese public administrators. Scholars from around the world and our colleagues from the MPA pilot universities in China who attended our conference all made great intellectual contribution to China’s MPA education.

Domestic public administration research and its exchange with the outside has always been one of the Chinese government’s great concerns. Mr. Zhu Rongji, the former Prime Minister, gave important
instructions on the work of CPAS during his meeting with CPAS’ leaders in 2002. Mr. Wang Zhongyu, State Councilor, met the foreign delegates of the 1st Sino-U.S. Public Administration Conference. Mr. Hua Jianmin, State Councilor and general secretary of the State Council under the newly elected government, also attaches great importance to the work and research reports of CPAS. Mr. Xu Shaoshi, deputy secretary of the State Council, attended the conference’s opening ceremony; and Mr. Hua Jianmin met with the foreign delegates of the conference. The Chinese government looks forward to the constructive comments, suggestions, and recommendations from the foreign experts and scholars.

CPAS is an academic organization composed of practitioners, scholars, and experts in the field of public administration, with its local branches in every province, autonomous region, and municipality across China. Affiliated to CPAS are five associations (Education Research Association, Public Policy Study Association, Local Government Study Association, etc.), and many specialized associations established in some administrative agencies. CPAS, with a total membership over 10,000, has a great impact on China’s public administration community. Since its establishment, CPAS has been enjoying the Central Government’s support and has conducted a great deal of research activities. The research results have proved to be highly valuable in assisting the Chinese government with the design and implementation of administrative reforms. CPAS has also been very active in facilitating and organizing all kinds of academic activities with a view to improving theoretical as well as methodological studies in this field. During this process, CPAS helps the exchange and cooperation between the public administration communities at home and from abroad. Hopefully there will be more opportunities for such communication and collaboration in the times to come.

Lastly, I would like to express, on behalf of CPAS, my sincere respects to the presidents of ASPA in advancing academic communication and cooperation between American and Chinese public administration communities. And I wish to thank ASPA’s US/China Public Administration Secretariat, the School of Public Administration of Renmin University of China, and the Graduate Department of Public Administration, Rutgers University-Newark for their efforts and contributions in facilitating the conference and many other cooperative programs.
PREFACE: A New Era of Global Governance and Public Policy Transfer

Marc Holzer
Mengzhong Zhang
Keyong Dong

As a continued collaboration between the American Society for Public Administration and the Chinese Public Administration Society, the 2nd Sino-U.S. International Conference on “Public Administration in the Changing World” was held as scheduled at the Renmin University of China, Beijing, May 24-25, 2004. More than fifty overseas scholars and about one hundred and fifty domestic scholars attended the conference. This volume is a selection of the papers submitted to the conference.

Public administration is an academic field as well as a professional practice. In either connotation, public administration attempts to distill from and shape the changing world. Thus, it involves the interaction between academics and practitioners, and between government and society. While the bottom line of private management is profit, the essential concern of public management is the happiness of the public. To realize this objective, public administration has developed a set of values and beliefs that are largely distinct from the private sector. These value orientations of public administration are: effectiveness, social equity, democratic participation, social representation, responsibility, public accountability, fairness and justice, in addition to a shared belief in efficiency.

As a practice, the history of public administration is parallel to the history of human beings. As an academic field of human inquiry, the emergence of public administration is generally dated from the publication of Woodrow Wilson’s paper “The Study of Administration” in 1887. In the early 1900s, Frederick Taylor was busy studying the relationships between motion and time. The central concern of the era was efficiency. This period was also labeled as the “person-as-machine” model of scientific management. Luther Gulick and Lyndall Urwick’s Papers on the Science of Administration, in 1937, listed seven principles of administrative functions—Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting (POSDCORB). Two decades earlier, Henri Fayol (1916) identified fourteen principles: 1. Division of work; 2. Authority and responsibility; 3. Discipline; 4. Unity of command; 5. Unity of direction; 6. Subordination of individual interest to the general interest; 7. Remuneration of personnel; 8. Centralization; 9. Scalar chain (line of authority); 10. Order; 11. Equity; 12. Stability of tenure of personnel; 13. Initiative, and 14. Esprit de corps. In 1924, Elton Mayo and other scholars started a series of studies of working conditions and worker behavior at a Western Electric factory, generally known as the Hawthorne Experiments. The “Hawthorne effect” triggered a whole school of human relations, such as Maslow’s theory of human motivation (The five hierarchical needs) and McGregor’s development of Theory X and Theory Y. In the wake of the 1960s’ turmoil of campus riots, the civil rights movement, the Vietnam War and other events, the Minnowbrook Conference (in 1968) pioneered a new era of public administration, i.e., the New Public Administration. The value orientations of the New Public Administration are social equity, representativeness, responsibility, democratic participation and social accountability—which is different compared with the previous focus on efficiency and effectiveness. When we moved into the 1980s, a new paradigm of governance appeared on the horizon of public sector worldwide —the emerging of the New Public Management. The New Public Management (NPM) is an expanded view of reinventing government that originated in the United Kingdom, Australia and New Zealand in the late 1970s and early 1980s. New Public Management is a “concerted program of public sector reform aimed at replacing administration by management, replacing formal bureaucracy by markets or contracts as far as possible, and reducing the size and scale of the public sector” (Hughes, 1998:1489).
Over the last decade, a new terminology—governance—has become popular in the lexicon of the public sector. As with many academic terms, governance has garnered many definitions. Hyden and Bratton (1992) define it as the “conscious management of regime structures with a view of enhancing the legitimacy of the public realm” (pp. 6-7). Rosenau (1995) says it is “systems of rule at all levels of human activity from the family to the international organization in which the pursuit of goals through the exercise of control has transnational repercussions” (p.13). Pierre et al. (2001) hold that “thinking about governance means thinking about how to steer the economy and society and how to reach collective goals” (p.1). There are three levels of governance at local, national, supranational and global dimensions. These modes of governance can be classified as “hierarchy - governance relying on government”, “co-ordination - government with structured interactions with market and civic society” and “self-governance - networks of autonomous actors” (Potucek et al., 2004).

Public administration is constantly evolving and adapting to the changing world environment. In the twenty-first century, new social problems and conflicts have become more frequent. Immature theories of new public management and governance are not sufficient in coping with this new reality. Scholars and practitioners have shouldered new responsibility in exploring new ways of dealing with the emerging issues, and this volume is intended to further these efforts. The volume is composed of seven parts. The first part is E-governance. Ten articles address broad issues, such as E-government theory and practice, digital citizen participation, managerial and policy concerns, E-democracy, fiscal transparency, E-government procurement, administrative laws by E-government and so forth. The major areas of focus are the US and P.R. China. The second part is the enduring topic of public administration education. Scholars discuss public administration education in many countries – the US, China, Australia, Pakistan, Malaysia and European countries. The third part covers public policy. Two papers address the situation of the US, while the remaining six articles examine the diverse topics of public policy in China, such as policy innovation and diffusion, participatory policy making, development of the western region of China and other concerns. The fourth part examines China’s fiscal reforms and financial management. The fifth part studies performance measurement in the contexts of the USA and China. The sixth part attempts to deal with crisis management in China and Malaysia. The seventh part covers other interesting current issues in public administration. These concerns are not limited to the US and China, but extend to the new public management in Japan and especially a proposal to establish a Network of Asia-Pacific Schools and Institutes of Public Administration and Governance (NAPSIPAG). Given the formal launching of NAPSIPAG last December, we are happy to say that the 2nd Sino-U.S. International Conference on Public Administration had fully surpassed its intended objectives.

The functions and environment of the public sector are constantly changing, as is the academic field of public administration. Nevertheless, history is a mirror to reflect the future. We believe that the wisdom recorded in this anthology is worthwhile for a wider audience and for further inquiry. As one Chinese poet said, “We have to climb to a higher floor if we wish to see further.” We sincerely hope that this volume can serve as one of the foundations (the stepping stones) in that regard.

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REFERENCES


INTRODUCTION: DECLINING TRUST IN GOVERNMENT

Public confidence and trust in government have been declining for almost four decades. According to results revealed in the National Election Study’s surveys from 1964 to 2000, the peak of trust in government appeared in 1966, and the nadir was in 1994. In 1964, three-quarters of Americans would have preferred to trust the federal government to do the right thing. More recently, however, only one-quarter to one-third people trusted government in similar terms (Nye, 1997).

In 1964, 62 percent of Americans believed that they could trust the federal government “most of the time,” which compares to only 51 percent in 2002. In 1966, 17 percent felt that they could “just about always” trust the federal government, which compares to only 5 percent in 2002 (National Election Studies, 1958-2002). Survey results indicate that in 1994 only 11 percent of Americans had a great deal of confidence in the executive branch of government, while more than three times as many, 35 percent, expressed hardly any confidence in the executive branch. The percentage of people who had a great deal of confidence declined from 14 percent in 1974 to 11 percent in 1994. From survey results, we also know that Americans have had little confidence in Congress. Public confidence in Congress had been declining from 17 percent who had a great deal of confidence in 1974 to 8 percent in 1994. People having hardly any confidence in Congress increased from 21 percent in 1974 to 39 percent in 1994 (National Opinion Research Center, 1972-2000).

As illustrated in Figure 1, the American citizenry have little confidence in public officials, the degree of trust declined from 1974 to 1994, and although there has been some improvement, trust is still far short of historical levels.


Figure 1
According to Berman (1997), cynicism toward government is largely a function of trust and social capital. The relationship between government and its citizens has been strained, which is largely a function of the following: first, the citizenry feel as though government officials abuse their powers in the interest of self-aggrandizement. Second, citizens feel disconnected from government. Third, government service delivery is perceived to be inadequate. With the hope of reversing these perceptions, Berman describes administrative strategies that target cynical citizens, strategies for which emphasis is placed on publicizing the benefits of government, improving service delivery, and (perhaps most importantly) giving individuals a means of influencing public policy and government decision-making. Internet-based applications, or e-democracy, may prove ideal in this regard, as such innovations can help cultivate a governmental landscape in which information is more accessible, people feel more connected to government, and citizens are better able to participate in political processes. These changes may reduce cynicism toward government and restore faith in our political institutions and elected officials.

In contemporary democratic society, traditional structures and cultures of policy formation and decision-making often minimize citizen participation. But with the rapid development of information and communication technologies (ICTs), traditional models of representation have come under pressure. Proponents of digital democracy believe that ICTs will facilitate more direct interaction between citizens and government. Citizen participation has long been considered an essential component of genuine democracy, and within the context of the policy making process it can help the public sector become more effective by tapping into wider sources of information. This, in turn, can help improve the quality of policy decisions. Further, greater citizen participation exposes policy makers and implementers to a broader range of issues, helps monitor existing policies, and highlights needed changes.

ICTs create opportunities for receiving important information and participating in policy-making discussions. Because ICTs typically improve interaction between citizens and decision-makers, it is important to examine innovative ways in which ICTs are used in the public policy process. In particular, we need to examine the opportunities for ICT-related citizen input, and how input influences the policy making and decision making processes.

This paper examines Internet-based applications wherein citizens can debate policy issues. In particular, this research addresses the following questions: What are the expectations for digital citizen participation? What models currently exist? How effective have they been? What is the potential for digital citizen participation?

A MOVEMENT TOWARD DIGITAL CITIZEN PARTICIPATION

Digital Democracy

As ICTs have rapidly developed, the public sector has sought to integrate these technologies. In addition to digital service delivery, ICTs have afforded citizens a more direct means of participating in the public decision-making process. We use the term “digital democracy,” which encompasses the use of ICTs in the practice of democracy. Jankowski and van Selm (2000) suggest that digital democracy is more generally accepted as including activities related to the democratic process.

According to Hacker and van Dijk (2000: 1), digital democracy refers to “a collection of attempts to practice democracy without the limits of time, space and other physical conditions, using ICTs or computer-mediated communication instead, as an addition [to], not a replacement for traditional ‘analogue’ political practices.” In other words, digital democratic applications are envisioned as alternative means of participation. Further, Nugent (2001: 223) refers to digital democracy as “processes carried out online—communicating with fellow citizens and elected representatives about politics.” Digital democracy may be defined as all practices to improve democratic values using ICTs. Central to digital democracy are specific governance issues, which include government openness, citizen participation in governing processes, and digital elections (Arterton, 1988: 620-626).

Government openness is central to digital democracy, and openness is predicated on improving access to government information. That is, well-informed citizens are more capable of playing an active
role in government. Citizens can make their voices more powerful with well-informed, active participation in the policy making process. Thus, citizens may be empowered via e-mails to elected officials, as well as by debating social issues in digital forums.

With digitally available information and advanced ICTs, citizens can participate more fully in the governing process, and consult on policies at all levels of government. In addition, citizens can discuss social issues and government policies in digital forums that include public officials. The Public Electronic Network in Santa Monica, California (http://www.santa-monica.org/communication/cityforms/pensignup.htm) illustrates a public discussion forum. Launched in 1989, the Network enables citizens to interact with public servants. While initially designed just to enhance public access to information, such interactive issue forums are now common (Docter and Dutton, 1998: 125-151; Guthrie and Dutton, 1992: 574-597; O’Sullivan, 1995: 93-107; Varley, 1991: 42-51).

ICTs and Digital Deliberation

Deliberation is the process of thoughtful discussion and consideration regarding an issue or course of action. Deliberative processes comprise discussion and consideration of arguments for and against a proposed measure. Deliberation is necessary when there is uncertainty, and it proves invaluable when choosing between two equally compelling courses of action (Adams, et al., 2002).

A cornerstone of the deliberative process is the nature of the communication involved. Contrary to debate, participants strive to rise above a win-lose exchange (Adams, et al., 2002; Roberts, 2002: 660-661; Yankelovich, 1999). Deliberation is a process of “social learning about public problems and possibilities” (Reich, 1990: 8). Participants in deliberative processes are expected to be open to changes in their attitudes, ideas, and positions, although change is not a required outcome of deliberation. It is a process of fostering citizen growth both “in the capacity for practical judgment and in the art of living together in a context of disagreement” (Adams, et al., 2002; Roberts, 1997: 124-132; Ryfe, 2002: 359-377; Walters, et al., 2000: 349-359; Waugh, 2002: 379-382; Weeks, 2000: 360-372; Zifcak, 1999: 236-272).

Deliberation has long been considered an important element of true democracy, and it is central to public realm theory (London: 1995: 33-55). Scholars such as Arendt (1958) and Habermas (1989) regard the public sphere as “both a process by which people can deliberate about their common affairs, and as an arena, or space, in which this can happen naturally” (London, 1995). According to Habermas (1984; 1989), the public sphere includes requirements for authenticity, including “open access, voluntary participation outside institutional roles, the generation of public judgment through assemblies of citizens who engage in political deliberation, the freedom to express opinions, and the freedom to discuss matters of the state and to criticize the way state power is organized” (London, 1995).

But, are ICTs conducive to deliberative democracy? The issues raised by this question are complex, abstract and much more than matters of judgment. There are two broad viewpoints regarding the impact of ICTs on deliberative democracy. First, there are the technological optimists who believe that ICTs are easier and faster, and offer qualitatively better ways of existing, working, communicating, and participating in public life. In his book, Democracy and Its Critics, Dahl (1989: 339) argues the following: “telecommunications can give every citizen the opportunity to place questions of their own on the public agenda and participate in discussions with experts, policy-makers and fellow citizens.” Grossman (1995: 15) further holds that the “big losers in the present-day reshuffling and resurgence of public influence are the traditional institutions that have served as the main intermediaries between government and its citizens: the political parties, labor unions, civic associations, even the commentators and correspondents in the mainstream press.”

Cross (1998: 139-143) discusses the relationship between ICTs and democracy, focusing on the following democratic norms: 1) informing voters, 2) representativeness, and 3) participation. ICTs play an important role as a mechanism for disseminating government information to citizens (Charlton, Gittings, Leng, Little, and Neilson, 1997; Korac-Kakabadse and Korac-Kakabadse, 1999: 216; Langelier, 1996: 38-45; Lips, 1997 recited in Ranerup, 1999: 179; Lee, 2004). McConaghy (1996) argues that publicizing
information used in the development of government policies would allow citizens to be more fully involved in the democratic process. Further, in terms of representativeness, ICTs can alert policy makers as to the needs and preferences of the citizenry regarding potential policies. With respect to participation, McLean (1989: 108-110) maintains that ICTs make direct participation possible because they overcome the problems of large, dispersed populations, while Arterton (1987: 189) argues that more citizens can participate because many of the burdens of participation are lowered, which increases equity in public decision-making (Arterton, 1987: 50-51; Barber, 1984).

The alternative view is less optimistic, and is centered on the premise that bringing about change in institutions and behavior patterns is a slow and problematic process. According to Conte (1995), “It’s so easy to imagine a scenario in which technology is used to get instant judgments from people. If it is used that way, we haven’t seen anything yet when it comes to high-tech lynchings…Real democracy is slow and deliberative.” Unless carefully moderated, digital-based forums can become chaotic. Unmediated forums can potentially become abusive and unfocused. Politicians and other community leaders with whom citizens wish to interact are reluctant to participate in digital forums for fear of being “flamed,” which refers to losing the luxury of leading from behind. Then, there is the problem of dealing with the overload of undifferentiated and uncategorized information. In spite of the increasing amounts of information now available, its wide distribution, and the speed with which it is transferred, there is no evidence to suggest that the quality of decision-making has improved or that decisions are more democratic given the integration of ICTs and digital-based applications.

DIGITAL CITIZEN PARTICIPATION CASE STUDIES

This paper approaches digital citizen participation in the context of both information dissemination and citizen deliberation. Based on this model of digital citizen participation, the basic characteristics of each stage are summarized in Table 1 below.

Characteristics of Each Stage of Digital Citizen Participation

Table 1

<table>
<thead>
<tr>
<th>Stage</th>
<th>Characteristics</th>
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<tbody>
<tr>
<td>Information Dissemination</td>
<td>Static (Passive)</td>
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<td>- Information Portal Sites</td>
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<td>- Information Search Method</td>
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<td>- Notice of Information Openness</td>
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<td></td>
<td>- Links to Related Web Sites</td>
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<td></td>
<td>Dynamic (Active)</td>
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<td></td>
<td>- E-Mail Communication to Request Information</td>
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<td></td>
<td>- Newsletters or Newsgroups</td>
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<td>- E-mail lists</td>
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<tr>
<td>Citizen Deliberation</td>
<td>Static (Passive)</td>
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<td></td>
<td>- Online Poll (Instant Results, Presentation of Previous Polls)</td>
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<td>- Bulletin Board for Complaints</td>
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<td>- Bulletin Board for Recommendations</td>
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<td>Dynamic (Active)</td>
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<td>- Digital Town Hall Meeting</td>
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<td>- Digital Policy Forum</td>
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<td>- Online Voting with Deliberation</td>
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Static information dissemination is characterized by information acquisition from read-only web sites. Citizens merely obtain information on policies and operations of government, and links to other relevant information on the Internet are provided through the government’s own web sites. Dynamic information dissemination involves two-way communication and consultation between citizens and public servants. It includes e-mail communication initiated by citizens, typically leading to a question and answer dialogue.
Static and dynamic citizen deliberation differ as to whether participation could occur in the policy-making process. Static citizen deliberation might typically include an online poll without public deliberation, a bulletin board for complaints and recommendations, or citizen participation by mail, fax, or e-mail. Dynamic citizen deliberation meets the criteria for the public sphere as suggested by Habermas (1989). It includes digital town hall meetings, digital policy forums, and online voting with deliberation. The roles of both public servants and professionals are key elements. True public deliberation includes all participants—citizens, politicians, bureaucrats, interest groups, and the media.

In this context, public spaces created on the web, wherein people can debate policy issues, are necessary. In such spaces, digital deliberation is characterized by O’Looney, (2002) as:

- Access to balanced information.
- An open agenda.
- Time to consider issues expansively.
- Freedom from manipulation or coercion.
- A rule-based framework for discussion.
- Participation by an inclusive sample of citizens.
- Broader and freer interaction between participants.
- Recognition of differences between participants, but rejection of status-based prejudice.

Utilizing these criteria, this paper addresses three case studies in depth: Regulations.gov, National Dialogue of Public Involvement in EPA Decisions, and CitizenSpace of the United Kingdom.

### Characteristics of Case Examples

#### Table 2

<table>
<thead>
<tr>
<th>Case Study</th>
<th>Information Dissemination</th>
<th>Citizen Deliberation</th>
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<tbody>
<tr>
<td>Regulations.gov United States</td>
<td>Static</td>
<td>Static</td>
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<tr>
<td>CitizenSpace United Kingdom</td>
<td>Dynamic</td>
<td>Dynamic and Static</td>
</tr>
<tr>
<td>National Dialogue of Public Involvement in EPA Decisions, Environmental Protection Agency</td>
<td>Dynamic</td>
<td>Dynamic</td>
</tr>
</tbody>
</table>

### Regulations.gov

United States

http://www.regulations.gov

Regulations.gov is a “one-stop Federal regulatory clearinghouse” that claims to facilitate citizen participation in Federal rulemaking and the American democratic process (http://www.regulations.gov/help.cfm, accessed April 16, 2003). Regulations.gov is the first of a three-module e-Rulemaking initiative. Module Two calls for the integration of an online Federal Docket Management System, whereby individuals will be able to access all publicly available regulatory material, including Federal Register notices and rules, supporting analyses, and public comments regarding proposed regulatory changes. Module Three is envisioned as a tool for regulation writers, including applications such as virtual meeting spaces for regulation writers and analyses of public comments (Morales, 2004).
Through Regulations.gov, citizens can view a description of proposed and final Federal regulations and read the full text of the regulations for 75 agencies. In addition, citizens can submit their comments to the Federal agencies responsible for the rulemaking action through the Regulations.gov website. Simplification and easy access are central components. For example, selecting “Internal Revenue Service” from the agency menu allows individuals to view proposed IRS regulatory changes (in either HTML or PDF format) that are open for public comment. For example, as of May 11, 2003, there were eight regulations open for comment.

Information appearing in the descriptions of a regulation open for comment include:

1) Title.

2) Subject Category.

3) Text and PDF files linked to the description and full text of a regulation.

4) Proposed Rule or Rule: Proposed Rule indicates notices of proposed rulemaking, advance notices of proposed rulemaking, and extensions of comment periods. Rule indicates final rules with request for comment, interim final rules, direct final rules, and reconsiderations of final rules.

5) Docket ID: Allows agencies to easily track regulatory actions open for public comment.

6) Code of Federal Regulations (CFR) citation: Corresponds to the section of the CFR that an agency is amending or proposing to amend.

7) Date Published: Refers to the date on which the rule or proposed rule was published in the Federal Register.

8) Comments Due: Refers to the closing date of a consultation period.

9) How to Comment: Guides citizens through the comment process.

The How to Comment section guides citizens through the citizen participation process. Specifically, when citizens click on How to Comment, they are directed to a web page through which they may submit an electronic comment.

Since its launch, Regulations.gov has averaged approximately 6,000 “hits” daily (Miller, 2003) and has established itself as a key component of the digital rule-making initiative by improving quality and access to the government regulation writing process. Neil Eisner, assistant general counsel for the Department of Transportation, is hopeful that Regulations.gov will open the rulemaking process to individuals outside of the nation’s capital and the special interest lobby. Ideally, Regulations.gov will serve as an egalitarian tool that affords the rank and file a means of influencing public policy.

Skeptics, however, are concerned that online applications such as Regulations.gov will become another conduit for the politically powerful and efficacious. For example, the National Association of Manufacturers has reportedly provided its membership with an electronic template for commenting on proposed regulations. Gary Bass, executive director of OMB Watch—an advocacy group that promotes government accountability and citizen participation—believes that businesses and special interests are likely to benefit in the short-term because of their access to technology. Over the long term, however, Regulations.gov does have the potential to empower diverse constituencies (Skrzycki, 2003a).

Regulations.gov is a noteworthy effort to provide citizens with an opportunity to participate in the rulemaking process. A clear disadvantage, however, is that citizen deliberation via Regulations.gov is static. Citizens comment on the rule or proposed rule to the agency. There is no digital deliberation in the
rule-making process on Regulations.gov. Only at the end of the comment period may a citizen view public comments on the Web.

**National Dialogue of Public Involvement in EPA Decisions**
United States Environmental Protection Agency
http://www.network-democracy.org/epa-pip/

The Environmental Protection Agency (EPA) launched the National Dialogue on Public Involvement in EPA Decisions in July of 2001. The National Dialogue was an experimental 10-day online discussion of public participation at the EPA. The EPA designed the National Dialogue to complement the formal notice-and-comment process for its draft “Public Involvement Policy,” which is predicated on identifying and implementing effective and reasonable measures that foster greater public involvement in the EPA’s regulatory and program decisions. The National Dialogue took the form of messages posted to a web site and linked together ongoing conversations among participants. Participants posted messages at their convenience, resulting in exchanges that evolved over hours and days.

The National Dialogue covered a range of issues, such as how the EPA could better disseminate information to key stakeholders, what technical or financial measures are needed to promote citizen participation, and how citizen feedback will be taken into account. The Dialogue followed an agenda that was posted before the discussion began, and the discussion was divided into ten topics, including the following:

1) Introduction and Public Involvement Goals
2) Outreach
3) Information Dissemination
4) Assistance
5) Catch-up Day
6) Collaborative Processes
7) Permits and Rules
8) Superfund, Local Environmental Partnerships, and Risk Communication
9) States, Tribes, and Local Governments
10) Evaluation

Each day’s topic was linked to a detailed description of the topic, together with several numbered statements on which dialogue participants were invited to comment. Table 3 provides a description of each agenda.

Within each of these statements, one or more suggested “possible threads” were defined. Participants could initiate a new discussion thread by posting a message with a unique title on the “Subject” line. Eighty-three percent of all messages posted were part of threads, which means two or more linked messages.

Throughout the Dialogue, 1,166 individuals posted 1,261 messages. In addition to the continental United States, the National Dialogue involved individuals from Alaska, Hawaii, Guam, and the Northern Mariana Islands. Citizens from Australia, Brazil, Canada, Morocco, the Netherlands, and South Africa also posted messages.

Of the 1,166 individuals registered to participate, 70 percent signed on as active participants prepared to post messages. The remaining 30 percent signed on as observers interested in merely reading messages. Of the 1,166 registrants, 39 percent were affiliated with government (13 percent from EPA, 6 percent from other federal agencies, and 20 percent represented state and local governments), 18 percent worked for an environmental or community group or identified themselves as individual citizens, 14 percent worked in industry, and 14 percent were affiliated with educational institutions. The remaining participants were from tribal organizations, the media, elected officials, mediators, and civic groups. Some 816 individuals registered as active participants, and 320 posted at least one message. These 320
participants generated 1,261 messages throughout the course of the Dialogue. In the first three days (July 10-12), many of the participants simply introduced themselves to the group. Subsequently, no more than 60 participants posted between 90 and 130 messages each day.

Only a small percentage of participants contributed a large percentage of the total messages. Of the 320 individuals who posted messages, 10 percent contributed multiple messages to the Dialogue. Ultimately, 32 participants were responsible for 43 percent of the messages. Of these 32, ten were members of environmental organizations, community groups, or governmental advisory committees. Seven were university faculty, facilitators, researchers or librarians, while six were staff members from EPA headquarters. Further, five represented federal and state agencies other than the EPA, including a staff member from a Canadian national agency, and four were tied to industry trade associations or consulting firms. Each of the 32 active participants had a deep level of experience in environmental policy and participation, albeit from quite different perspectives.

The daily panelists, EPA hosts, and project partners, namely staff at Information Renaissance, EPA, and Resources for the Future, kept the National Dialogue moving along by initiating the day’s theme, keeping the discussion on topic, and answering questions. Over the course of the dialogue, 59 of these individuals posted messages. Seventeen were very frequent contributors, 27 contributed less frequently, and 15 contributed only one or two messages. Thirteen posted no messages.

According to the report by Resources for the Future, deliberation as practiced on the National Dialogue was a great success—clear improvement over the notice-and-comment process that it supplemented. Most people reported being satisfied by the process and thought similar on-line dialogues should be conducted in the future. Communication in the National Dialogue was rich and respectful. Both participants and EPA staff reported learning a great deal, and the EPA gained much broader input to use in finalizing and implementing its Public Involvement Policy.

The organizational aspects of the National Dialogue largely contributed to that success. Participants were able to easily track comments, as they were indexed by date, subject, and thread. The EPA developed an agenda for daily discussions, and its staff and expert panelists effectively facilitated those discussions. Participants were able to obtain background information by clicking the “Briefing Book” menu, which provided access to reference materials, the EPA online dictionary, draft policies, regulations, and other supporting documents.

CitizenSpace
United Kingdom
http://www.ukonline.gov.uk/CitizenSpace/CitizenSpace/fs/en

UK Online is a nationwide effort to connect all government departments to the Internet by 2005. The Office of the e-Envoy administers UK Online web sites, which include CitizenSpace, an online public space that enables citizens to play a role in public policy consultations and forums. According to Andrew Pinder, e-Envoy to the Prime Minister, “part of this issue of people not wanting to participate is, in my view, because they are not sufficiently aware of the issues or they haven’t found a suitable vehicle to put their views across.” Pinder further stressed that the Internet provides tremendous opportunity in terms of disseminating information and giving citizens the opportunity to voice their opinions (Pinder, 2002).

CitizenSpace maintains a comprehensive consultations index, which allows one to browse or search proposed governmental policies. As of March 24, 2004, 176 topics were open for comment through CitizenSpace’s consultations index. The index provides direct links to consultation documents, which are designed to guide citizens through the consultation process.

In addition to its consultations index, CitizenSpace has maintained a number of consultation forums, which are summarized in Table 3. These forums are more dynamic consultative mediums. Unlike the static nature of CitizenSpace’s consultations index, the forums allow individuals to post and read messages regarding specific issues. For instance, the e-Democracy forum received 427 comments throughout the course of the consultation period (July 16-October 31, 2002). The forums are moderated
and the Hansard Society, an independent, apolitical group dedicated to promoting effective parliamentary democracy, produces summaries of forum comments.

Citizen Deliberation and CitizenSpace Forums

Table 3

<table>
<thead>
<tr>
<th>Title</th>
<th>Deliberation Period</th>
<th>Number of Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions Green Paper: Better opportunities for older workers</td>
<td>March 6 - March 23, 2003</td>
<td>46</td>
</tr>
<tr>
<td>Pensions Green Paper: Building trust in the financial services industry</td>
<td>March 6 - March 23, 2003</td>
<td>34</td>
</tr>
<tr>
<td>Pensions Green Paper: Giving people the information they need to save for retirement</td>
<td>March 6 - March 23, 2003</td>
<td>41</td>
</tr>
<tr>
<td>Pensions Green Paper: Protection for members of company pension schemes</td>
<td>March 6 - March 23, 2003</td>
<td>65</td>
</tr>
<tr>
<td>e-Democracy</td>
<td>July 16 - October 31, 2002</td>
<td>427</td>
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</tbody>
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Andrew Pinder, former e-Envoy to the Prime Minister, believes that Internet-based applications such as CitizenSpace have the potential to promote a more meaningful discourse between elected officials and their constituents, one where citizen feedback is incorporated into the policy making process. Pinder envisions “deeper democracy” through online consultation portals, which entails cultivating a more responsive relationship between politicians and the people.

Significant criticism, however, has been levied against CitizenSpace. According to Ian Kearns, a senior research fellow at the Institute for Public Policy Institute, “there has been large scale public sector investment but little to demonstrate public value. There is nothing to show that citizens are better off as a result of UK Online” (Hirst, 2003). Further, Stephen Coleman, a professor of e-Democracy at Oxford, contends that CitizenSpace merely serves as a medium for political zealots and offers very little in terms of meaningful citizen participation: “for most users, [CitizenSpace] held out the promise of interaction with the Government, but it proved to be a one-way street leading to nowhere” (Hirst, 2003). According to Rebecca Newton, director of Community Development and Education for CommunityPeople.net in the UK, the “dialogue found in existing online public forums suggests there is a general sense of lack of participation from government officials and elected representatives,” a sentiment shared by a CitizenSpace forum participant who felt that the forum was tantamount to ‘shouting to an empty bucket’ (Newton, 2003).

Reinforcing those opinions, CitizenSpace’s five consultation forums generated a total of 613 comments. As opposed to the National Dialogue, which generated 1,261 comments over a 10-day period, the e-Democracy forum drew only 427 postings over a much longer period of 15 weeks. The UK’s Cabinet Office has since acknowledged that CitizenSpace needs to be redesigned in a way that promotes a meaningful dialogue, one that more obviously takes into account people’s comments and includes public officials and policy makers as active participants (Cabinet Office, 2002).

FINDINGS AND RECOMMENDATIONS

This paper establishes models for enhancing public discourse using information and communication technologies to facilitate policy deliberation and increase public trust. Both critics and advocates of democracies—from Plato to Jefferson—recognize the critical importance of effective citizen participation in public policy deliberation. The digital democracy framework that we propose below incorporates both static means of providing background information and educating citizens, as well as a dynamic framework for enhancing public policy debate online. These findings address citizen
expectations, current models for facilitating digital policy deliberations, and the potential for using these models as best practices in designing future digital democracy efforts.

This paper demonstrates that digital democracy is currently taking place. Digital democracy need not compete with traditional forums for public debate. Instead, digital democracy increases the breadth of citizen engagement and enriches the depth of citizen participation in the public policy process. Digital democracy is quickly providing a direct mechanism for citizens to interact with government and influence the public policy process. In many cases, direct access allows citizens to circumvent traditional agenda setting mechanisms and organizations like political parties and interest groups.

Digital democracy, however, is fraught with many of the same pitfalls as in traditional democratic discourse. Democratic deliberation and public participation in the policy process are not easily achieved. Citizens easily become overwhelmed with both the amount of information required to participate, as well as the technical jargon often used by public policy specialists and elites. Organized interests and individuals with strong opinions may dominate public discourse, digital or otherwise, and uneducated citizens with poor writing skills can become marginalized. Our analysis of the three cases above underscores the following findings:

1. Digital democracy is happening. Public agencies are using the Internet to facilitate open dialogue between citizens and government. This is not just a promise for the future. Furthermore, public organizations are experimenting with new methods for deliberating proposed regulations and policies between citizens and public agencies. By and large, digital citizen participation shows great potential for democratic renewal, especially with regard to reconnecting citizens to government. By reconnecting citizens to government, trust in government may be restored to levels more appropriate to our democracy.

2. Governments should work harder to identify, study, and implement best practices. Regulations.gov in the United States and CitizenSpace of the United Kingdom have both provided citizens with opportunities to engage in rule making. Portal sites for citizen consultation, such as the U.S. Environmental Protection Agency, have opened virtual public spaces for citizens and/or interest groups to deliberate specific rules. Following this model, governments at state and local levels have generated multiple interactions between citizens and governments for deliberation across a range of social issues. The cases presented in this paper demonstrate that government can indeed engage citizens through technology. ICTs and Internet-based applications are viable and complementary means of participating in the policymaking process.

3. Digital democracy enriches the democratic process and builds public trust. Public agencies across the globe are already realizing the benefits of digital democracy efforts. These include increased citizen participation in policy-making processes, the ability of public agencies to respond to citizens more quickly and accurately, and cost savings related to time and paperwork. Through digital deliberation, public agencies have listened to online comments and recommendations, and that process has influenced the policy-making process. In addition, public agencies are more quickly responding to social issues raised by citizens via digital deliberation in government.

4. Digital deliberation broadens participation in the policy process. Both citizens and public agencies save time and paperwork through such deliberation. The process reduces travel costs for participants in the public policy process, as they need not travel to one location to participate in traditional public meetings. Cases at the national level and the international level demonstrate that, when given the opportunity, citizens will use the Internet to share their ideas and suggest comments or recommendations on public policy in a virtual, rather than a physical, space. In the case of Regulations.gov, participants from all over the world actively engaged one another in thoughtful discussions.
5. The digital divide is a challenge that democratic societies must address. Despite the potential benefits of digital deliberation, the Internet as a communications medium presents some difficulties, particularly the “digital divide” between those with web access and web-related skills, and those without such resources. Even though the online population is increasingly reflective of communities offline, the reality of a digital divide means that certain segments of the population are effectively excluded from online deliberation, and the excluded populations tend to consist of historically disenfranchised individuals.

A parallel criticism of digital policy deliberation is that it is skewed towards technical experts who effectively speak the jargon of public policy, thereby alienating average citizens. While experts largely influence public policy dialogues, this may be more pronounced through digital and Internet-based conduits. For example, the National Dialogue of Public Involvement at the U.S. Environmental Protection Agency was dominated by individuals identified as scientists or technical experts, as opposed to average citizens. While expert knowledge is very important to policy development, citizens’ knowledge and intuition is key to the policy process as well. In addition, the Internet as a communication medium favors individuals with strong writing skills, and these individuals also tend to have greater access to financial resources and education.

6. Citizens need to be assured that digital deliberation will not replace face-to-face interactions between citizens and their government. An issue to be considered is whether policymakers should give digital deliberation the same consideration they give other policy feedback mechanisms, such as traditional town hall meetings or public hearings. Furthermore, public policy makers need to consider if digital deliberations should serve as alternatives to traditional mechanisms for engaging citizens in the public policy process, or if digital deliberations should replace traditional methods for policy deliberation. In other words, should digital deliberations supplement, complement, or be essentially the same as offline public hearings? Oscar Morales, director of the E-Rulemaking Initiative for the Environmental Protection Agency, envisions online consultations as supplementary to existing mediums. More specifically, Morales is of the opinion that “most of the rulemaking process is paper-to-paper deliberations. You’ll probably always have some face-to-face interactions” (Interview, 2003).

7. Mechanisms need to be put in place to prevent the volume of dialogue involved in digital deliberations from overwhelming citizens. During digital deliberations, citizens may find it difficult to keep pace with the flood of messages and the large number of conversations going on at one time. Often, citizens do not have time to read all the messages pertaining to a particular issue. As a result, they join discussions in the middle of the deliberation process and may repeat sentiments expressed elsewhere. Public agencies using the Internet to facilitate policy deliberation should recognize the potential for citizens to become overwhelmed by large threaded discussions and develop methods for assisting citizens. For example, in the National Dialogue, citizens relied heavily on daily summaries provided by the EPA. However, summaries of online discussions may be biased insofar as emphasis is placed on issues that may favor certain agendas. That is, if messages critical to the deliberation are downplayed in a summary, the deliberation process might be distorted or ineffective.

8. Government agencies need to build organizational capacity to adequately answer questions and facilitate online discussions. Agencies have expressed concerns about being inundated with electronic comments to the point where feedback cannot be taken into account. A possible safeguard is the use of software applications that help to manage the flow of information. For example, according to Morales, “if some interest group has told its members to send in a form letter electronically, there are applications that will help to analyze this data. If you have 100 form letters, you’ll be able to process 100 for letters that are essentially the same in terms of content, and you do not have to read all 100 of them” (Interview, 2003).
9. Another concern for digital deliberation is its reliance on written communication to the exclusion of other forms of communication. Citizens often write informally when using the Internet to communicate, and it is often difficult to detect subtle nonverbal cues that are present during face-to-face communications. Citizens may not be able to detect nonverbal communications such as facial expressions or voice tones, and as a result some comments may be misunderstood.

10. Strong personalities and organized groups can influence online policy deliberation in much the same way as face-to-face forums. In addition, much like traditional public hearings, individuals with strong opinions participating in online deliberations may ignore or downplay differing opinions. The failure to recognize differing viewpoints frequently has the same effect online as it does in person, the lack of a consensus or conclusion. Opinionated individuals participating in online discussions can dominate a discussion in much the same way that an opinionated individual can dominate a face-to-face discussion, by responding to every comment without adding anything new. Often the result of such discussions is lengthy deliberation and a lack of conclusion on the issue. Agencies may have difficulties interpreting lengthy online discussions that do not result in a consensus or conclusion.

11. As is often the case in face-to-face discussions, public managers participating in digital deliberations need to play the role of facilitator. In our research, digital facilitators played an important role by enabling democratic deliberation to take place with maximum efficiency and minimum disruption. Effective moderators serve as guides who enable citizens to engage in the deliberative process. Our cases indicate that in addition to digital facilitators and moderators, many agencies also used virtual panelists in the digital deliberation process. In general, panelists were experts in the field and offered their professional opinions during the course of the deliberative process. In other cases, panelists had a facilitative role in the discourse. Comments or recommendations provided by facilitators, moderators and panelists were useful for citizens and also helped set the direction of the dialogue.

Given such findings, six recommendations for effectively implementing digital citizen participation in government are as follows:

1. Develop a realistic timeframe.

   Public agencies need to allow citizens appropriate time for online deliberation during each stage of the public policy process. Citizens need enough time to review proposed regulations or policies, assess supplemental materials and articulate their comments and recommendations. EPA’s National Dialogue provides an excellent framework for scheduling online policy discussions. While the EPA agenda outlined above (Table 3) was implemented day-by-day, the schedule could also be adapted, depending on agency needs, to allow citizens more time to participate.

2. Be clear and concise when framing issues.

   Public agencies should provide citizens with a clear explanation of issues being deliberated. The intended audience for the discussion must also be established, and it should be clear who is being consulted, about what, and for what specific purposes. Citizens need to clearly understand what role their discussions will play in the policy process. In addition, public agencies should provide citizens with goals and objectives for discussions, including a clear summary of issues on the agenda.

3. Develop a help guide for citizens on online policy deliberations.

   Agency help guides for digital deliberation should be clear and answer basic questions that citizens may have before they engage in the policy-making process online. The citizen guide to online public policy deliberation should include guidelines and administrative rules, and address how online
discussions fit into the overall public policy process. The guide should also include the manager’s contact information.

EPA’s National Dialogue provides a model that describes how online dialogues work and includes information on scheduling, equipment, time commitment, agenda, conversations, following the discussions, who should participate, joining the discussion, and daily summaries. In addition the National Dialogue includes a section on “Rules of the Road” which encourages certain “rules of behavior” such as:

- In your first message you may want to introduce yourself to the group. This is not a requirement but it helps other participants know who you are and why you are participating. This introduction could be as short as a sentence or two.
- Please think of others, and avoid offending their values, experiences and views when submitting your messages. Civility is an important value in online discussions.
- Be willing to respond to questions about your positions. If needed, ask others to clarify their views.
- Please try to adhere to the agenda by not raising topics prematurely. Please check the agenda to determine when it would be best to raise a particular topic.
- Please do not use this forum to sell your products and services.

(http://www.network-democracy.org/epa-pip/about/rules.shtml)

4. Actively market digital deliberation opportunities for citizens

Typically in the public sector, marketing of new and innovative services is not undertaken. Marketing of digital consultation and deliberation in government is a prerequisite for success, and digital marketing can significantly reduce the cost to public organizations. In particular, marketing strategies should include materials for citizens concerning the availability and benefits of participating in digital consultation and deliberation in government. Despite the public sector’s progress in digital consultation and deliberation, a slow response by citizens could detour digital citizen participation.

5. Train public managers to facilitate digital discussions

Digital facilitators are critical to the success of online discussions, and public managers need training to fulfill the role. Public managers should be trained to move digital deliberations forward thoughtfully and civilly. Managers trained as digital facilitators must understand how to manage online discussions and promote well-balanced discussions that take all sides of an issue into consideration. In addition, digital facilitators should promote basic democratic values by helping citizens understand that their opinions are a necessary part of the public policy process.

6. Evaluate digital deliberation efforts and provide examples of successful digital democracy.

Public agencies should thoughtfully review and analyze all their digital democracy initiatives and demonstrate that such forums are changing the way democracy works. Public agencies should understand not only what citizens want, but also why they want it. Also, public agencies should have an open-mind when analyzing responses and should be sure to address all concerns. The results of digital consultation and deliberation in government must be widely available. Public agencies should publish the results on-line for citizen review.

The Review also suggests compiling and reviewing past evaluations that have included significant public participation/stakeholder involvement components to determine: what the Agency has been doing effectively; what the agency should be doing more of; and the special issues various program
offices should consider before developing or reviewing public participation/stakeholder involvement initiatives (EPA Public Participation Policy Review Workgroup, 2000).

Although citizen participation is central to a healthy democracy, our political system is characterized by declining voter turnout, decreased levels of civic participation, and cynicism toward political institutions and elected officials. Technological optimists are hopeful that online public spaces will reverse those declines by facilitating direct interactions between citizens and government, offering greater access to government information, and providing a more effective means of participating within the policy making process.

Public spaces such as Regulations.gov, the National Dialogue, and CitizenSpace may emerge as mainstream conduits for debate, whereby experts, generic intellectuals, and citizens can come together and voice their opinions. Further, digital citizen participation may foster an increased sense of public engagement as an egalitarian device that helps to engender a measure of societal collectivism necessary for a democratic system to thrive. Given the erosion of civic virtue and the proliferation of political apathy, online public spaces may serve to re-energize the body politic and reaffirm the importance of citizen participation as a unifying communal experience.

Despite the potential benefits, the Internet as a consultation and deliberation medium presents specific challenges, in particular the digital divide. That divide disproportionately impacts lower socio-economic individuals who have historically played an insignificant role within the public policy process. Similarly, skeptics may argue that Internet-based applications will merely serve as another avenue of influence and control for the politically efficacious and the power elite. In spite of these criticisms and challenges, on balance digital citizen participation represents a great potential for democratic renewal.

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A recent Google search for “E-Government” returned 3.4 million entries while a search with the keywords “Global Warming” brought back less than 700,000. The numeric difference may suggest that for Internet users, E-Government, a subject that has to do with immediate issues of governance and provision of public services is a more salient matter than our long term survival on this planet. The general interest in E-Government is further illustrated by the third annual update on global E-Government (West 2003). The report monitors developments in the delivery of public information and government services through the Internet. Using a detailed analysis of 2,166 government websites in 198 different nations, the report measures the information and services that are available to the public online. The report (West 2003) charts the variations that exist across countries, and discuss how E-Government sites vary by region of the world. In addition to that, the report examines how the 2003 results compare to 2001 and 2002. According to the 2003 report on global E-Government (West 2003) some of the more important findings are the following items:

1) 16 percent of government websites offer services that are fully executable online, up from 12 percent in 2002.

2) 89 percent of websites provide access to publications and 73 percent have links to databases.

3) 12 percent (down from 14 percent in 2002) show privacy policies, while 6 percent (down from 9 percent in 2002) have security policies.

4) 14 percent of government websites have some form of disability access, meaning access for persons with disabilities.

5) English has become the most commonly used language of E-Government. Seventy-four percent of national government websites have an English version.

6) 51 percent of sites are multilingual, meaning that they offer information in two or more languages.

7) Countries vary enormously in their overall E-Government performance based on our analysis. The most highly ranked nations include Singapore, United States, Canada, Australia, Taiwan, Turkey, Great Britain, Malaysia, the Vatican, and Austria.

8) There are major differences in E-Government performance based on regions of the world. In general, countries in North America score the highest, followed by Asia, Western Europe, Pacific Ocean Islands, Middle East, Eastern Europe, Russia and Central Asia, South America, Central America, and Africa.

With this data several important questions come to mind. For example, one must wonder whether the evolvement of E-Government is the result of local circumstances or whether it is influenced or guided by a theory (or some alternative theories). Also, given the attempts to rank E-Government efforts, one must ask whether there is an ideal model(s) that is the standard for comparing sites. Is the ranking done on
a curve, i.e., how good or how promising is the effort of one state in comparison to the efforts of other states? Are there too many cases where the strategy of developing E-Government is what Mintzberg (1987) calls an “emergent strategy” to denote a freely developing strategy, or is the observed strategy what he calls a “deliberate strategy”, namely a grand plan where intentions are stated clearly up front and realized in an exact manner?

Whenever one observes an E-Government effort that looks like a random collection of activities, i.e., an emergent strategy, one must ask whether the time is right for drawing on the various experiences with E-Government to develop a theory or an ideal model. If, on the other hand, there is a theoretical body of knowledge and model(s) for guiding the development of E-Government, one must question their instrumental value, if not their validity, given their little utilization by practitioners. By investigating why such theories or models fail to have a real influence on practice, one can gain important insights not only into the theories or models in question, but of the political economy of a given E-Government effort.

In this paper we cannot address all these questions in depth. However, by looking in a critical way at the experience of one American state we hope to facilitate the discussion of these important questions. The state of Tennessee’s E-Government initiative, we assert, is a good case in point since it was ranked no. 1 in 2002 (West 2002) up from 35th place in 2000 (West 2000). Even though it went down to 4th place in 2003 (West 2003), it clearly remains one of the best efforts in the USA.

THE CONTEXT OF THIS STUDY OF E-GOVERNMENT

The 2003 E-Government symposium at the White House was co-sponsored with the Organization for Economic Co-operation and Development (OECD), (2003). The symposium’s press release for June 9, 2003 declared “E-Government is more about government than about the e.” We see this declaration to be in line with an earlier assertion in the Economist (2000) declaring that:

[E-Government] will transform not only the way in which most public services are delivered, but also the fundamental relationship between government and citizen. Broadly, E-Government involves the use of Internet based technologies to transact the business of government. At the level of service, E-Government promises 24 / 7 convenience (full service available 24 hours a day, seven days a week), greater accessibility, the capacity to obtain government services without ever visiting a government office and reduced costs due to the increased technological intermediation. At the level of basic factors (government accountability and the general acceptance of state institutions), E-Government contributes to the functioning of democracy by online provision of reports and other government information which would otherwise be difficult to obtain or unavailable, and through online debates and plebiscites. (cited by Teicher Hughes and Dow 2002:387)

A reality check seems to suggest that both declarations are more of a lip service to what is desired of E-Government than an accurate prediction, let alone a description of current practices or theory. Pardo (2000) offers a more pragmatic approach for the study of what she calls “digital government”:

Government agencies must keep asking themselves three questions: What government business functions are we responsible for? How can we responsibly transform our current business models while incorporating new and emerging technologies? Are these new business models reflective of the collective concerns and priorities of the public; or do they threaten the public trust? As more and more agencies are delivering digital government services, clear types are emerging, and each type has its own array of policy, management, and technology implementation issues. By looking at each type, we are building an understanding of those that involve new ways of doing business such as
integrating information in new ways and making it accessible over the Web, new ways of engaging in procurement and new ways to deliver services.

Jain (2004) reminds us that Kurt Lewin famously proclaimed, “There is nothing so practical as good theory”, signifying that a good theory lends itself to being applied in a variety of contexts. But where is the “grand” theory of E-Government?

According to Government Technology

Much of the interest in E-Government is owed to the following theory: electronic government improves the "business of government" by creating more efficient and convenient constituent-to-government, business-to-government, and even government-to-government interaction. This is a powerful proposition for the government segment, which is often asked to do "more for less." Those jurisdictions that have begun to put this theory to the test have been pleased with the results.

While the writers for Government Technology seem to make an accurate observation, their use of the term "theory" leaves much to be desired. A World Bank publication declares: “there is no E-Government textbook and no E-Government theory; knowledge comes from practice; excellence comes from best practices” (World Bank 2002:2).

Given the amount of resources that have been committed so far by various governments for E-Government initiatives, the lack of a guiding theory seems to be strange if not alarming. It is possible to think of several potential explanations for the lack of such a theory. One of the more likely ones is the absence of a consensus about a common definition of E-Government. As would be explained and illustrated below, there are many definitions for E-Government and the concept has different meanings.

Nevertheless, meta analysis of various reports of E-Government initiatives seems to offer some theoretical insights that eventually would be synthesized into one cohesive theory. Thus, for example, Jain (2004:1) derives from the study of such reports two interesting propositions: “The first theme that emerges is that IT [information technology] is a tool for ‘reforming’ bureaucracy. The second, somewhat contradictory, theme is that E-Government failure may be explained as a consequence of bureaucracy.” In the same vein, it is possible to offer some other insights that can help us construct a theoretical framework for examining E-Government.

E-GOVERNMENT: WHAT’S IN A DEFINITION

According to a Star Project report (n.d), due to the relatively recent development of E-Government, it is particularly difficult to make decisions and to shape the process of government adaptation to E-Government. In this regard, according to Star, one main difficulty that public administrators are facing is the lack of evidence about results and impacts, both during and after the implementation of E-Government projects. This observation is consistent with observations from the private sector. Labeled the “productivity paradox”, such observations revealed that it is hard to correlate changes in productivity with investments in IT (Baily and Gordon 1988, Brynjolfsson and Hitt 1998, Wolff 1999). The Star report claims that the productivity paradox in the public sector is partly due to the very nature of E-Government, and reflects the volatility of technological developments. In addition, E-Government applications are typically cross-sector ones, complicating the task of disentangling their effects. As noted by several writers (Hazlett and Hill 2003, Buckley 2003), E-Government is heavily influenced by expectations of citizens to see public service rendered in the same fashion it is provided by so many entities in the private sector. Business organizations demand that government, one of their stakeholders, interfaces with them the same way they interface with other private sector organizations. Last, but not least, government agencies are under pressures from other government agencies to allow for electronic data interchanges (EDI) and other amenities that become possible with E-Government in order for them to realize productivity gains they promised when they invested in their own E-Government.
projects. Thus, for example, there are several instances where the development of E-Government at the state level in the USA was a reaction to earlier E-Government initiatives at the local level. In fact, in the case of Tennessee, the E-Government effort of the state did not commence until the late 1990s, while the metropolitan government of Nashville had its first website about then years earlier. Another example that illustrates the reactive nature of E-Government initiatives in general, and in the case of Tennessee in particular is the consolidated databank of the TN Department of Children Services. The said databank was not developed to take advantage of IT and improving productivity. Rather, the initiative to establish it evolved when it became apparent to agency administrators that developing such a databank would qualify the state for some federal grants.

The characteristics of the early stages of any E-Government initiative, such as trial and error and experimentation with alternative modes of virtual provision of a given service, may be another reason for some of the difficulties in demonstrating the success of such efforts. In particular, it is hard to ascertain whether or not public administrators are guided by a specific vision of E-Government since most are reluctant to state it on the record.

Once articulated, such a vision can be operationalized by using one of many generic models - information and communication technology (ICT). Some of these possible models are described by Digital Government (n.d.) and are listed below. These models, in turn, can be used as a guide in designing E-Government initiatives depending on the local situation and governance activities that are expected to be performed:

The **Broadcasting Model:** The model is based on dissemination/broadcasting of useful governance information which is in the public domain into the wider public domain through the use of ICT and convergent media.

The strength of the model rests upon the fact that a more informed citizenry is better able to judge the functioning of existing governance mechanisms and make an informed opinion about them. As a consequence, they become more empowered to exercise their rights and responsibilities.

The widespread application of this model corrects "information failure situations" by providing people with the relevant information relating to the governance sphere to make an informed opinion and impact governance processes.

Further, the use of ICT opens up an alternative channel for people to access information as well as validate existing information from different sources.

The **Critical Flow Model:** The model is based on disseminating/channeling information of critical value (which by its very nature would not be disclosed by those involved in bad governance) to the targeted audience (such as the media, opposition parties) or into the wider public domain through the use of ICT and convergent media. This model requires foresight to:

- understand the "use value" of a particular information set,
- obtain such information,
- utilize it strategically, and finally
- market it to users to whom the availability of such information would make a difference.

The strength of this model is that ICT makes the concept of 'distance' and 'time' redundant when information is hosted on a digital network, and this could be used advantageously-- by instantly transferring the critical information to its strategic user group located anywhere or by making it freely available in the wider public domain.

The **Comparative Analysis Model:** The Comparative Knowledge Model may be one of the least-used, but highly significant model for developing countries. The model can be used for empowering people by
matching cases of bad governance with those of good governance, and then analyzing the different aspects of bad governance and its impact on the people.

The model is based on using ICT to explore information available in the public or private domain and comparing it with the known information sets. The outcome is strategic leanings and arguments, for instance, if a given amount of money can build '5' schools in village 'A' then why does the same amount of money build only '2' schools in village 'B'?

Essentially, the model continuously assimilates best practices in the areas of governance and then uses them as benchmarks to evaluate other governance practices. It then uses the result to advocate positive changes or to influence 'public' opinion on these governance practices. The comparison could be made over a time scale to get a snapshot of the past and present situation or could be used to compare the effectiveness of an intervention by comparing two similar situations.

The strength of this model lies in the infinite capacity of digital networks to store varied information and retrieve and transmit it instantly across all geographical and hierarchal barriers.

The **E-Advocacy/Mobilization and Lobbying Model** is one of the most frequently used Digital Governance models and has often come to the aid of the global civil society to impact on global decision-making processes.

The model is based on setting-up a planned, directed flow of information to build strong virtual allies to complement actions in the real world. Virtual communities are formed which share similar values and concerns, and these communities in turn link up with or support real-life groups/activities for concerted action. The model builds the momentum of real-world processes by adding the opinions and concerns expressed by virtual communities.

The strength of this model is in its diversity of the virtual community, and the ideas, expertise and resources accumulated through this virtual form of networking. The model is able to mobilize and leverage human resources and information beyond geographical, institutional and bureaucratic barriers, and use it for concerted action.

The **Interactive-Service model** is a consolidation of the earlier presented digital governance models and opens up avenues for direct participation of individuals in governance processes. Fundamentally, ICT has the potential to bring in every individual in a digital network and enable interactive (two-way) flows of information among them. The potential of ICT for governance is fully leveraged in this model and can bring greater objectivity and transparency in decision-making processes.

Under this model, the various services offered by the Government become directly available to its citizens in an interactive manner. It does so by opening up an interactive Government to Consumer to Government (G2C2G) channel in various aspects of governance, such as election of government officials (e-ballots); redressing online of specific grievances; sharing of concerns and providing expertise; opinion polls on various issues etc.

Though such models can assist the planning of E-Government initiatives, in hindsight, it is not always clear, what, if any theory, model or vision was followed. Was a given blueprint the result of a careful analysis that showed it to be the most promising one, albeit on paper, for serving the public’s needs? Were the involved administrators embracing the most “convenient process” for introducing E-Government? Were blueprints for E-Government developed to address the most important issues from the public’s perspective or in a way that optimizes the use of resources? Or, was symbolism and expectation of a political bonanza foremost in guiding and selecting the “promising design”? In other words, in hindsight it is not always easy to establish where a given administration stands on the continuum between being proactive or reactive when it comes to E-Government. Thus, the Star Report is correct in asserting that the very nature and the present stage of E-Government seem to result in the lack of adequate evaluation tools. While this assertion is accurate, it seems that there might be some other, and maybe, more important reasons for the difficulty in assessing E-Government initiatives. One of the other
possible reasons for these difficulties is the lack of a generally accepted theory or model of E-Government.

The current confusion about what the precise meaning of E-Government is, is reflected in the numerous, divers and overlapping definitions of the term “E-Government” and its primary purpose or justification. The American E-Government Act that was signed into law in 2002, for example, states its purpose in the following way (emphasis added): “To enhance the management and promotion of electronic Government services and processes by establishing a Federal Chief Information Officer within the Office of Management and Budget, and by establishing a broad framework of measures that require using Internet-based information technology to enhance citizen access to Government information and services, and for other purposes” (H.R. 2458 http://thomas.loc.gov/cgi-bin/bdquery/z?d107:HR02458:/TOM:/bss/d107query.html) Here are some other examples (emphasis added):

“The use of information and communication technologies, and particularly the Internet, as a tool to achieve better government.” OECD’s E-Government Imperative (2003)


E-Government refers to the use of information and communications technologies to improve the efficiency, effectiveness, transparency and accountability of government. (World Bank) (http://www1.worldbank.org/publicsector/egov/)

“E-Government refers to the delivery of government information and services online through the Internet or other digital means.” (West 2001)


“E-Government links people...to the public marketplace of ideas, debate, priorities, initiatives, innovation, services, transactions, and results. It puts ownership of government truly in the hands of all Americans." (Council for Excellence in Government 2001)

“Digital (electronic) government is about transforming government service delivery through the use of technology." (Pardo 2000)


E-Government can be defined as the delivery of public information, goods and services through the use of technology. (Stiedel 2003)

E-Government is defined as the use of information and communications technologies to improve the functioning of government. (Jain 2004)

By E-Government, we mean the application of information and communications technologies (ICT) to the organisation and operation of government. (Teicher, Hughes and Dow 2002:384)

While these and other definitions suggest the existence of a wide spectrum of opinions and perspectives about E-Government, there seem to be some recurring themes which can be referred to as the
facets of E-Government. By facet we mean a perspective, reason, justification or a purpose. The concept of facet mapping was introduced by Louis Guttmann in the late 1960s (Levy 1994). Guttmann's facet mapping sentences (Shye 1978) implicitly employ a case-grammar framework for analyzing a conceptual domain in terms of sets of concepts that fit into different syntactic slots and thereby generate a large number of propositions related to the domain. As used here, the facet approach allows us to utilize a scale from high to low in order to map qualitatively where a given administration stands on each of the following facets, aspects or purposes of E-Government.

At different times, various levels of government may opt to emphasize one facet or several facets over the others. The various facets are not independent of each other. In fact, they are overlapping and are expected to enhance different, but equally, important values by enhancing or facilitating productivity gains. Understanding that governments are within their rights when they emphasize one facet over another implies that using “universal” assessment tools that measure attributes such as “citizen centered” may result in skewed, unreliable and unfair evaluation of the effort under study.

The tendency to commit such a conceptual error in evaluating E-Government efforts seems to be common. In our survey of E-Government and E-commerce in Tennessee we found that agencies do not make any effort to differentiate between E-Government and E-Commerce. Some areas that are considered by agencies as part of the E-Government development effort such as electronic data interchange (EDI) are in fact E-commerce-like activities. For our purposes here E-Government seems to include facets such as:

*Inter-agency operations: For example: change in the ownership registration of a vehicle triggers a demand by another unit within the agency for the tax owed to the state as a result of the transaction of selling/buying a car.

*Intra-agency operations: For example, the Tennessee Department of Safety (which issues driver licenses) is notified by local Police or Sheriff Departments that a driver failed to show proof of insurance as required by law and start acting on it. At the federal level in the USA, the E-Government initiative resulted in the following efficiencies: E-Payroll - through the efforts of multi-agency teams a migration of agencies from 22 providers to 2 payroll partnerships, with a projected lifecycle cost savings of $995 million. Another example is the Integrated Acquisition Environment which has resulted in an agency-shareable, single vendor-performance file. (President’s E-Government Initiative, http://www.whitehouse.gov/omb/egov/internal.htm)

*Intergovernmental operations and G2G: For example, notifying the Selected Service Board, a federal agency, about each young man that gets his first driver license which is issued by the state. Obtaining the driver license in Tennessee became, in fact, the act of registering with the Board as required by law.

*G2B/B2G: Government to Business and Business to Government were the first areas where government agencies were trying to take advantage of the Internet, adopting common practices from the private sector (B2B). Here, state agencies use the Internet to seek bids in connection with agencies’ efforts to sell or buy goods and services, announce changes in existing regulations or to post and explain new ones. Businesses use the Internet to make payments, renew licenses and permits, request information or the forms they need for complying with various laws etc.

*G2C/C2G: For example, notification of property tax assessments; approaching expiration of permits and licenses; changes of zoning hearings; minutes of meetings, etc. Citizens use the Internet to renew driver licenses, notify various agencies about change of address, request assistance or certain services (e.g., building code inspection) or to obtain public health related information

*E-Democracy (E-Participation) and accountability: This includes the posting of minutes, audit and year end reports, budgets, court decisions, etc. in a way that allows for exchanges and dialogues among
readers and between a reader and the posting agency. This facet represents the epitome of the new way to realize the values of democracy by encouraging informed participation.

E- Public Relations: In reality, it’s the one facet that is embraced as a priority at all levels of government. Using the facet mapping sentence, most administrations would rank high on this facet. In the name of any of the other facets and in particular in the name of e-democracy and accountability, government officials and agencies list their alleged achievements as undisputed evidence of their commitment to democracy, public service and prudent use of taxes. President Bush’s E-Government website (http://www.whitehouse.gov/omb/egov/index2.html) and the corresponding pages of governors and mayors from all over America are a case in point. In many of those cases a government website is introduced to an Internet surfing citizen as an effort to enhance government transparency and as a more prudent approach for the efficient provision of services. This, administrations all over America surmise is a good way to justify the cost of E-Government when its actual benefits cannot be quantified. Government websites are also used as electronic billboards -- the place for the spin-job that turns inexcusable failures or minor achievements into great success stories. Messages from aspiring administrators and self-aggrandizing periodic reports of elected and appointed officials are prominently displayed on the websites of agencies. Display of such “propaganda” seems to be a priority consideration in the design of government websites.

Yu-che Chen and James Perry (2003) imply an inside-out perspective when they assert that “electronic government (E-Government) is at the forefront of government efforts to provide information and services to citizens, businesses, government employees, other governmental units, and third sector organizations. However, is it really the case? Are most E-Government initiatives conceived and developed to help those outside any given agency, or are the needs of the involved agency the prime consideration?

According to Steidel (2003), the challenge for state and local governments rests with promoting services that are available and making citizens aware of them. That sounds more like a possible survival strategy for government agencies than an effort to cater to the needs of those outside it as asserted by Chen and Perry (2003). Steidel cites a survey by the Council for Excellence in Government where only 34 percent of the public indicated that they were somewhat aware of the specific E-Government services available to them. The only way to improve the effectiveness of E-Government resources, she claims, is to make the public aware of what such services can do. Against this background, it is possible to see that it may be possible to derive the extent to which a government is serious about optimizing each of the E-Government facets listed above from assessment of the efforts to enhance public awareness of E-Government. In Tennessee we have seen more reports about alleged savings (e.g., lower cost of renewing a driver license) or better revenues (e.g., as a result of replacing the actual local auction of Metro surplus goods with a virtual one on the Internet) than evaluations of how effective government is in advertising what is available on E-Government. This may suggest that the E-Government effort in Tennessee may correspond mostly with the E-PR facet as described above, than with any of the other facets. This claim would become clearer following the critical discussion that is offered below.

E-GOVERNMENT IN TENNESSEE: A CRITICAL REVIEW

West (2004:15) reminds us that when we study the effect of new technology, we need to differentiate between “long term versus short term impact, big versus little shifts, and technocratic versus political and institutional alteration.” West (2004) asserts that because it is hard to predict whether a technological innovation would result eventually in a large scale or a small scale change, it makes sense to study such innovations in the short run. Thus, West (2004:16) concludes that “the virtue of studying short term changes is that it provides hints about long term shifts.” Following this advice, we took a snapshot of Tennessee’s E-Government effort for the purpose of finding out which of the facets listed above can explain it best. Using an analogy to factor analysis it is asserted that identifying any single facet as a high load factor at the present (or immediate past) can be a good predictor for the likely future
direction of the E-Government effort. By comparing the data that is captured by such snapshots at two points in time, it is possible to ascertain whether the same facet remained the “high load factor” or whether it was replaced by another facet(s). A finding that another facet(s) became the “high load factor” may indicate in turn, a change of vision or strategy under the best of circumstances and utter confusion, lack of leadership and lack of a unified direction or goal under the worst possible scenario.

The state legislature in Tennessee does not have its own independent research office. Thus, we are going to start this critical review of the Tennessee experience to date by reference to the research findings from another state because they may shed light on some problematic issues in Tennessee. In California the Legislative Analyst's Office issued in January 2001 a report raising concerns about the state’s E-Government initiatives and articulating possible considerations for assessing E-Government. The report states:

**Concerns with Current State Direction.** We raise a number of concerns about the direction that the state is taking with respect to E-Government, specifically, the lack of (1) public input in determining the services to be provided through this initiative, (2) information on the administration's priorities for this initiative, and (3) executive-level sponsorship from the state's program areas whose services are to be provided through E-Government. (Legislative Analyst's Office 2001)

Though the said report is from California, the observations that are the basis for that state's Legislative Analyst’s Office seems to be in line with our own observations in Tennessee. In particular, we were amazed to find out that there was no planned effort to find where the shoe hurts before launching many of the initiatives. E-Government initiatives in Tennessee have been presented as being an effort to make government more responsive to public demands, i.e., a multi-facet approach which involves E-Participation and E-Democracy, G2C/C2G, G2B/B2G, and improving the efficiency of inter-agency operations. However, there have been no public hearings and no attempt to survey the public or businesses about the areas that should get priority in developing of E-Government applications.

Using the facets we defined above, the motivation in many cases seems to have been E-Public Relations, even though the marketing and legitimization of the efforts (i.e., the demands for resources) was done by using the rhetoric that is common to the other facets. For example, the renewal of driver’s licenses online was introduced with great fan fare televising the governor trying to renew his own (which he was not able to complete due to a computer glitch). The state was also quick to report that in 2003, out of the more than 4 million Tennesseans with a valid driver license, 215,000 citizens were using the internet for driver license services. This figure represented an increase of 164% over the number of drivers using the online option in the first year. Though the majority of Tennesseans still renew it the old fashioned way, the state was also quick to report an alleged savings in operational costs. According to state officials, license renewal (or change of address) online cost the state $2.50 in comparison to the cost of $9.00 for manual renewal. This is a savings of $6.50 per transaction. With the seven thousand transactions which took place online in February 2004, E-Government resulted in a savings of $45,500 for the state according to an interview with Lou Kompare, Deputy Chief Information Officer for Tennessee. Needless to say that the said reports about the alleged savings with online renewal of driver licenses is based on the variable cost of a transaction and does not factor in the start up cost and the fixed cost of having this option online. The report also does not explain why certain age groups seem to be more likely and why some are less likely to use the online service. Specifically the state reports that individuals between the ages of 30 to 49 used the site the most, 29%. Those between the ages of 40 to 49 used the site 25% and those between the ages of 20 to 29 were very close at 22%. The fact that individuals over 60 years of age (who are exempt from having a picture on their driver license) are less likely to use the service online suggests that those who were most likely to benefit from the service do not find it useful. The state has no good explanation for the variable level of usage where some remote locations registered with higher level of use than large, university-based-cities like Knoxville or Memphis where computer literacy is high and access to the Internet is easy.
Users of the service seem to be satisfied with the new option for renewing their driver license online. However, this interaction with state government takes place only once every four years and there is no data to indicate that such an improvement was a priority for the public at large or even for those who use the online renewal option.

As for the administration’s priorities for E-Government in Tennessee, the guiding principle seems to be the good old rule of thumb: “don’t make waves.” Areas for possible E-Government initiatives are those where little controversy can be anticipated or where no new legislation is required. This posture is consistent with the observations that are offered by West (2004) about the possible reasons why technological innovations tend to be of an incremental nature (Lindblom 1968). Though it is not admitted by state officials, the strategy for developing E-Government in Tennessee seems to be (with few exceptions!) imitation of successful initiatives from other states. This strategy reduces the risk of any political liability due to an IT failure while maximizing the PR value of “we are there with the best of them.”

According to the 2004 IT strategic plan for Tennessee (TN 2004), the first goal of the E-Government effort is “assist leadership in developing and implementing enterprise strategies for solving complex business problems: i.e., core infrastructure business systems, application integration, consolidated state network.” The various activities listed under this goal are an effort to address reengineering and efficiency issues within state government. The importance of this goal is not a result of the state leadership to improve productivity. Rather, it is an attempt by the state to address the consequences of a budget crisis over several years. Hence, the drive to do more with less represents a reality where new resources cannot be mobilized, and the only way to address various operational challenges is to find more efficient ways to carry out the business of the state in the hope of freeing some resources. Since in the last two years “savings” have been generated by elimination of positions, finding new and better uses of IT became the only hope for avoiding the political consequences from further deterioration of public service.

The second goal of the plan is to revolutionize government service delivery through innovation in the use of technology to produce efficiencies, reduce costs, and improve responsiveness and customer convenience. This goal is consistent with many writings (Teicher, Hughes and Dow 2002, Stamoulis et al 2001) which proclaim that one purpose of E-Government is to provide the citizen with a seamless interface leading to greater convenience for service recipients on one hand and greater efficiency for government. Examining the services offered by E-Government in Tennessee, such aspirations are part of the E-PR, but not part of reality.

The third goal of the 2004 strategic plan is to ensure that “state data and IT resources are protected from threats and vulnerabilities in an IT infrastructure that attains the highest level of reliability and availability”. Though advertised as an effort by the state to address issues of privacy, the reading of the proposed activities planned for attaining this goal suggest otherwise. Objective 3.1, for example, calls for “support [of] vertical and horizontal communications for public and private sector information sharing to serve the goals of homeland security.” This goal may be in line with the intra-agency or inter-governmental relation facets identified above but in reality any resulting safeguards of privacy are going to be secondary in nature.

Goal number 4 deals with E-Government. According to the 2004 IT strategic plan of Tennessee, the aim is “[to] provide citizens access to reliable and responsive services and information electronically: government available anytime - from anywhere.” The activities listed under this goal include items such as “Develop and promote the ‘one-stop shop/single entry’ interface to electronic government services.” “Encourage and support the integration of customer services across departmental boundaries and the various levels of government for the benefit of our customers.” or “Ensure accessibility of E-Government services to all citizens of the state.” However, state officials did not want to go on record with the specifics in terms of the actual intended results, e.g., when could citizens or any business entity change an address as they deal with one state agency knowing that their records at all other state agencies would reflect the said change would take place without additional action on their part. In our cursory survey of an unscientific sample of students, such a convenience ranked very high.
Who can argue that such noble goals are without merit? On face value one might think that Tennessee compiled a very promising strategic plan for developing its IT and E-Government capacity. However, as pointed out earlier, a closer scrutiny may suggest otherwise. Specifically:

- The plan does not provide the road map, nor does it provide a seamless service. For the lay person that means that changing an address on the Driver License would not generate a desired automatic update of one’s mailing address with other state agencies.
- The plan does not provide a meaningful way for taxpayers to influence priorities for making various government services available online.
- The plan does not seem to be derived from agencies’ strategic plans. In other words, under current conditions, agencies are expected to incorporate the state’s IT Strategic Plan into their own strategic planning as a “given” even though the former is supposed to facilitate efforts to carry out each agency’s mission.
- The plan does not provide for a concentrated effort to educate taxpayers about the availability and benefits of using services online.
- The plan does not provide the specific means or a clear strategy for developing a virtual polity. Lacking discussion or chat rooms which are sponsored and maintained by the state, citizens can exchange opinions among themselves only by using commercial services like those offered by AOL.
- The plan does not provide for a two-way interaction between citizens and elected officials or key administrators.
- The plan does not seem to be consistent with any generic governance models such as the ones described earlier in this paper.
- The plan does not seem to be guided by any clear criterion and does not fully correspond to any of the facets listed above.

CONCLUDING REMARKS

What can we learn from the study of the E-Government effort in Tennessee? We expected to find out that such an effort is guided by some theory or model or at least that in hindsight it seems to correspond to one. We were wrong. We expected to find changes in the pattern of budget allocations with more money going to IT and less money going for personnel. As it turns out, trimming of the payroll was a result of the budget crunch for several years in a row. It was not that after E-Government was introduced some positions became redundant. If fact, low utilization of state services online have yet to generate such savings when it comes to human resources. The growing allocations for IT are the results of several factors. First of all, low allocations in the past forced the state to set aside more resources for IT in order to keep its IT ranking by outsiders. Such ranking is important politically for elected officials and economically as an inducement to potential investors. Second, due to the sharp trimming of personnel, it became a must in some agencies to resort to IT in order to replace the operational capacity that was lost due to the elimination of positions. Under normal circumstances, the savings that are generated due to the higher efficiency that results from the introduction of IT allow agencies to trim their payroll. In Tennessee, trimming of the payroll preceded and triggered the search for IT solutions in order to prevent total erosion of service quality. Burn and Robins (2003:25) note that “E-Government requires major business process change.” Given the budget wars in the state legislature that preceded his election, the governor of Tennessee was never in a position to suggest any serious effort of reengineering. Thus, the E-Government efforts of the state did not involve and did not result in any of the organizational or institutional changes as asserted by Fountain (2001). E-Government in Tennessee seems to have contributed to faster filing and moving of information, extension of service hours and places of service. However, it fell short of being the impetus for administrative reform either in the name of better public productivity or for the sake of more accountability, transparency or public participation.
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INTRODUCTION

Electronic government (e-government, EG) has become one of the major components of latest managerial reforms designed to improve the operation of public management and to enhance the relationship between citizens and their governments. In the United States for example, President Clinton announced a series of EG initiatives in 2000 to establish an integrated online service system for the access of one single Website (www.firstgov.gov) and the one-stop access to federal grant and procurement opportunities. Then, President Bush issued the President’s Management Agenda in 2001, which includes “Expanded Electronic Government” as one of the five major government wide initiatives. State and local governments have also emphasized the improvement of their information technology (IT) ability and the development of EG to provide better public management and services.

The three major concerns of the EG development are technology, management, and policy. The technology concern has to do with the EG system infrastructure, software components and application. The management concern focuses on the impact of EG on public organizations and the examination of advantages and challenges of the EG adoption and application. The policy concern includes the influence of EG on the domestic society in such issues as equity, privacy, and participation.

This paper examines the development of EG from two aspects of organizational management and public policy. The management aspect covers the issue of operational efficiency and implementation challenges. The policy aspect includes concerns of accountability, equity and privacy. The paper also provides discussions about the importance of EG to China’s administrative development.

THE DEVELOPMENT OF E-GOVERNMENT

Researchers have offered different definitions of the term EG. In a short explanation, EG is the application of the tools and techniques of e-commerce to the work of government (Howard, 2001). A better definition of EG refers to government’s use of technology, particularly web-based Internet applications, to enhance access to and delivery of government information and services to citizens, business partners, employees, other agencies and government entities (Layne and Lee, 2001). From a broader perspective, EG can be understood in terms of its major concepts, including (1) e-service (i.e., e-delivery of the government information, programs, services over the internet), (2) e-management (i.e., use of the information technique to improve the management of government in streamlining business processes), (3) e-democracy (i.e., use of e-communication vehicles such as e-mail and Internet to increase citizens participation in the public decision-making process), and (4) e-commerce (the exchange of money for government goods and services) (Cook et al., 2002).

Despite the different definitions, researchers have generally agreed that the development of EG consists of several stages. For example, Howard (2001) identified three basic evolution stages: (1) publish – the government has an electronic presence and publishes their information about itself and activities; (2) interact – the government interacts with citizens form simple e-mail to chat rooms; and (3) transact – the government enables citizens to receive services through the internet. Edminston (2003) outlined three similar stages of EG development: (1) information - using IT to expand access to government information; (2) interaction - strengthening public engagement, including two-way
communications (e.g., emails, forums, citizens feedback systems); and (3) transaction – offering online services (i.e., fully online executed services through streamlining of bureaucratic procedures).

Other researchers have used different terminologies and provided additional stages of EG development. For example, Layne and Lee (2001) suggested a four-stage model to explain the fully functional EG: (1) cataloging - creating e-presence, presenting information about agency (with least amount of functionality); (2) transaction - providing information, requests and services (with more functional then e-presence, but very fragmentary); (3) vertical integration - moving toward the transformation of government services (e.g., three levels of vertical integration – federal, state and local are integrating); and (4) horizontal integration - integrating silos from different agencies (i.e., the highest type of functionality). Moon (2002) provided five stages of EG to reflect the degree of technical sophistication and interaction with users: (1) simple information dissemination (i.e., one-way communication by posting data on the Websites for constituents to view); (2) two-way communication of request and response (i.e., the interactive mode between government and constituents by incorporating email systems and data-transfer technologies into the Websites); (3) service and financial transactions (i.e., replacing public servants with web-based self-services by putting live database links to on-line interfaces); (4) horizontal and vertical integration (i.e., pushing information and data sharing among different functional units and levels of governments for the enhancement of efficiency, user friendliness, and effectiveness); and (5) political participation (i.e., the use of government Websites for online voting, online public forums, and online opinion surveys for more direct and wider interaction with the public).

The discussions of EG definitions and evolution stages are useful for the following analysis of the impact of EG on public management and public policy.

EG AND MANAGEMENT CONCERNS

From the management consideration, the implementation of EG in public organizations will improve the management of government. Advocates of EG have pointed out major advantages of EG for public management, including the increase of efficiency by streamlining government business processes, the improvement of internal communication, the provision of better customer services, and the keeping up with citizens demand and expectations (Cook et al., 2002).

Empirical studies of the impact of EG on public management have provided mixed results. On the positive side, West (2000), based on a survey of chief information officers in state and federal agencies, reported that the adoption of EG has improved service delivery, reduced costs, and made government more efficient. Other similar studies have also supported the contribution of IT on performance management (Brown 1999) and on red tape reduction (Moon and Bretschneider 2002). Edmiston (2003) explained that, for public management, the efficiency concern is not simply minimizing the government’s cost of providing a given level of public services. Efficiency is also about minimizing social cost or the cost to constituents in using or receiving public services. From this perspective, EG has promoted the efficiency of public organizations in such areas as remote service delivery, remote procurement, and reduction of fraud.

On the negative side, from the ICMA survey of municipal governments, Moon (2002) noticed that e-government has not been effective as its rhetoric would suggest. Many municipalities are still at an early stage of EG and municipal EG has not made significant contribution to cost savings, revenue generating, and downsizing (even though EG has brought changes in procedural practices and task environments). Another study of the impact of IT on public organizations also reported mixed findings. IT adoption has direct effects on the performance of the organization and decision making, but little impact on agency’s structure and communication (Heintze and Bretschneider, 2000).

Moreover, many studies have identified various challenging issues associated with the implementation of EG in public organizations (Edmiston 2003, Holden, Norris, Fletcher 2003, Allen, Julliet, Parquet, and Roy, 2001). Major challenges identified are (1) lack of expertise, including technology or web expertise and marketing expertise to constituencies, (2) lack of financial resources, including costs associated with duplicate services provision (offline and online services), high and
immediate front-end costs, and distant and unclear back-end savings, (3) lack of political support, including inconsistent political support or commitment due to the election cycle, and (4) cultural differences, including the traditional vertical control emphasized in public organizations vs. the new horizontal collaboration required in EG operation, as well as different attitudes and believes between technical employees and administration staff. These issues are responsible for the slow development of EG in public organizations.

EG AND POLICY CONCERNS

Besides management concerns, many EG studies have also indicated several policy concerns about the EG development. The present study focuses on three major concerns about accountability, equity, and privacy. First, accountability in customer service has been one of the policy components of recent public management reforms (Bale and Dale, 1998). The development of EG will promote the accountability requirement and assessment through the improved access to government programs and services, the improved communication to government officials, and the improved citizen participation in the political decision making process. Through the EG operation, citizens will receive better customer services because of the enhanced administrative and political accountability.

The next policy concern in the EG development has to do with the equity issue of digital divide. Digital divide refers to the perceived gap in computer and Internet access across economic, demographic, geographic, or social lines. It is a serious public policy issue if several groups of the society are left out of the IT revolution and will be unable to receive good services provided by the EG. While studies show that the access gap has been narrowed in recent years, researchers have identified other issues related to the digital divide, including differences in using patterns and perceived gratifications (Cho, et al., 2003) and differences in interpersonal trust attitudes for users of Internet than non-users (Neutadtl, 2003). To resolve this potential problem, it is necessary for the government intervention by providing additional funds for private sector IT development, creating regional technology access and distribution centers, and establishing a digital brigade to educate citizens about disadvantages of not using IT. For example, one cost-effective way to address this problem is to provide public Internet kiosks and email outlets for those who do not have private access. These equipments and services can be offered in public places such as public libraries, employment centers, transportation terminals, and social service centers (Edminston, 2003).

The issue of privacy and security is the last policy concern identified. Citizens and social groups have been concerned about the Internet privacy in general and on government websites specifically. First, many of them are concerned about the availability of their personal data (e.g., driving records, property and deed records) on the Internet, even if the information is from the public records or the release is for the consideration of public safety and health. Next, internet security breakdown has become common for many public organizations. Along with the technology development, hackers are able to get into the system and change data and records to seek self interests or to create public crises. The privacy issue will continue to be one of the major policy concerns in the future EG development. It is not easy to overcome this issue as it requires the collaboration of legal, technical, and social prevention and control mechanisms.

EG AND CHINESE PUBLIC ADMINISTRATION

The importance of EG has been recognized by Chinese policymakers and researchers of public administration. For example, Mr. Guo Ji (2002), President of the Chinese Public Administration Society, identifies the IT development as one of the major components for the modernization of Chinese government management after China’s entry into WTO. The implementation of EG has been considered as one of the methods to improve the effectiveness of government administration and the transaction of government functions. Similar to those arguments described in Western studies, EG is useful in promoting openness in public policy, transparency, standardization, efficiency, equity, easy access,
supervision and accountability, anti corruption, administrative cost reduction, and connection between government and citizen.

Many researchers have published articles to study various policy and management issues about the EG development and its impact on China’s public administration system. The issues discussed include, for example, the influence of IT on the development of public management (He and Xu, 2002, Zhang, Yang, and Wu, 2002), the relationship between IT and performance evaluation of public organizations (Tang and Lu, 2002), the impact of IT on the quality of government serviced (Xu and Zhou, 2004), and the discussion of information security and legal protection of the e-government affairs (Ding, Wang, and Duan, 2002).

The development of EG has provided a good opportunity for China to improve its administration system. The author is very positive and optimistic about the EG development because of the consideration of the following technology, financial and attitudinal factors. First, there has been a rapid development of IT industry in recent years and many universities have invested in the education and training of technology or Web expertise. There is no lack of human capital development in IT industry. Next, the success of China’s economic development has created a strong domestic market to support the IT development and the financial investment of Chinese local governments in the EG development. Similarly, many foreign IT and management consultant groups are interested in the Chinese market and will provide technical, financial and managerial expertise and resources to invest in the EG development. Last, the positive development of EG has to do with people’s open and welcome attitude toward the adoption of new IT products (e.g., mobile phones) in their business operation and daily life. It is easy today for the public to accept and use new technologies for government services.

Despite the opportunities, EG development in China may also face some challenges. Three issues are identified and discussed here based on the consideration of EG studies and the environment of Chinese society. First, the digital divide issue is very serious in China because of the increasing gap between the rich and the poor as well as between the developed Eastern area and the underdeveloped Western area. The Chinese government has recently developed new policy initiatives (e.g., Western area development) to reduce the difference. Next, while the privacy issue is common to many nations, it is particularly challenging to the Chinese society because of the transactional problem in China, i.e., the removing of many old control mechanisms without the full development of a new legal system. The last challenge of the EG development is related to the traditional bureaucratic culture in China. It is easy to introduce new technologies in the daily operation, but it will be difficult to change the traditional bureaucratic attitudes and practices of public management (e.g., protectionism) in a short time period.

DISCUSSION AND CONCLUSION

This paper examined several management and policy issues that are important to the development of EG. The paper further analyzed the implications of these issues to the EG development in China. The paper concludes with the following observations and suggestions about the EG development.

1. The development of EG is still in its early stages as the services tend to provide government information and simple interaction among many public organizations. For many public organizations, they need to provide additional investments of resources, time, technologies, and human capitals to reach to the final stage of integration.

2. From the management perspective, the adoption of EG will improve the management of public organizations. The improvement is not based on the narrow definition of efficiency (e.g., cost saving), but based on the consideration of the better access and convenience of governmental operations, in terms of the time saved for stakeholders, businesses and citizens.

3. There are no consistent empirical findings to support the impact of EG adoption on the changes of structure, communication, decision-making style, and power relationship in public organizations. The
The impact of EG on these management issues will depend on the influence of the existing leadership, strategy, and culture of the organization.

4. The development of EG encounters such challenges as lack of technology talents, financial resources, political support, and cultural differences. The scopes and levels of these challenges will be different among government agencies because of their different political, economic, and social backgrounds. The combination of these challenges and backgrounds will affect the adoption and implementation of EG.

5. It is important for policymakers and public managers to take an integrated and cooperative approach for the development of EG. The integrated approach promotes the integration between different agency functions and processes as well as between different backgrounds of talents and units. The cooperative approach calls for the collaboration among government agencies, business companies and other social organizations (e.g., universities, associations) in the process of EG development.

6. One major positive impact of the EG development is the increase of accountability for government operations. Accountability includes not only administrative accountability in terms of easier access to public programs and services but also political accountability in terms of better information about government officials and citizen participation in the political process. Easier access and better information are valuable for citizens and social groups in monitoring public policy and management operation.

7. Two potential negative effects of the EG development are the concerns and issues of digital divide and privacy. The concern of digital divide refers to the equity principle of public policy, while the issue of privacy has to do with the individual right principle. The equity concern of digital divide covers both the quantitative aspect of different numbers or levels of access between the advantaged and the disadvantaged groups, and the qualitative aspect of different types and attitudes between these two groups. The privacy issue is of particular important to citizens because of the possibility of their rights being intruded through the easy access of personal data and the breakdown of computer security. The development of EG and IT in the future will be in a situation that not only the big brother is watching you, but also millions of small brothers are watching you.

8. To deal with the equity and privacy issues, it is important and necessary for the government to play an appropriate role in the information society. Governmental interventions include direct mechanisms such as developing specific policy measures or legal frameworks to prevent and control the negative effects; and indirect methods such as providing public funds and programs to support the easy access of computers and Internet to reduce the situation of digital divide and developing techniques and talents to improve the protection of individual privacy.

9. Regarding the Chinese experience, the management and policy issues discussed are also relevant to Chinese public administration. China has its own challenges and opportunities in the implementation of EG. The studies of political, economic and social environments support the development of EG in China because they can address such issues as expertise and finances resources. The positive and optimistic view is also based on the objective condition of Chinese system and the subjective attitude of Chinese officials and citizens. China is still in the process of reforming its political, economic, and administrative systems. In this transitional period, Chinese officials and citizens have experienced many big and small changes. They have shown an open and welcome attitude in using the modern IT techniques (e.g., mobile phones) in their organizational operation and daily life activities.

10. Finally, this brief review of the EG development indicates the need for further research in the area of EG and IT development. The literature about the EG is still in its infant stage. Many studies of the EG are based on subjective observations about the practice of EG implementation (including this one). Several empirical studies of the EG effect are based on surveys of perceived attitude changes among research subjects. Future researchers need to examine the full scale of the EG intervention, collect objective data (in addition to subjective data), and use both quantitative and qualitative
methods (e.g., case study) to study the EG development from a multi- and inter-disciplinary perspective.

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Voting Irregularities Hinder E-Governance Efforts to Improve Citizen Participation and Trust in the African American Community

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INTRODUCTION

It is asserted that e-governance should fulfill certain functions and practices in a democratic society. For example, policy issues and discussions should occur on a daily basis on government websites. By encouraging new opportunities for citizens to engage in policy making, there are several possible by-products of e-governance such as improved transparency, accountability, increased citizen participation, and efficiency. This study attempts to answer the question: are voting irregularities hindering e-governance efforts to improve citizen trust and participation in the African American community? Proponents of e-government contend that by improving access to government transactions, managerial efficiency, and improved service delivery, e-governance could improve social capital and public sector performance and thereby citizen satisfaction with government.

With the newfound access to government, e-governance ideally has the potential to improve citizen trust by making government more accessible and transparent although digital divide issues remain unresolved. Scholars stress that e-governance, by providing additional avenues for citizen participation in governance, could improve accountability via the electoral process thus allowing citizens to become more informed so that they could evaluate the collective record of government. Proponents of direct democracy hope that, by fostering new forms of interaction between citizens and the state, e-governance could channel citizens’ voices and priorities more effectively into the public policy process. Each of the functions and practices of e-governance are potential bridges for building citizen trust. This study will explore the role e-governance fulfills, such as enabling transparency, accountability, access, and citizen involvement as part of the efforts underway to build citizen trust in the African American community in lieu of the existing disenfranchisement efforts still employed by the Right.

In a democratic society, government exists to foster decisions that benefit its citizens. Thus, it is not unreasonable that citizens trust their government to act on their behalf, and to strive for continual progress, particularly in those areas where it can make a difference. Recent evidence from the United States, however, suggests that citizens are increasingly cynical about government; especially post 9-11. This realization has spawned numerous theories and studies, often grounded in economic woes and growing public cynicism.

Unfortunately, confidence in American government has been steadily decreasing in the last three decades. Various studies assert that three-quarters of Americans in 1964 said they trusted the Federal government to do the right thing. Today, that number has gone down to a quarter of Americans who stated that they trusted the government to do the right thing. Why has trust steadily declined? Is this mistrust a future governance problem?

As implied, the causes of the decline in trust are probably manifold. They are likely to differ among citizens depending on such variables as their level of contact with government, their perception of government actions and their ability to understand government's work in a way that goes beyond the things government does that immediately affect them. As iterated, this study attempts to look at these indicators from the prism of the African American community.
E-GOVERNANCE EFFORTS AT IMPROVING CITIZEN PARTICIPATION

Citizen engagement and participation are considered core tenets of good governance by pluralists. Pluralists assert that to promote pluralism and to foster more public involvement in the political process, governments should look at e-democracy. Dempsey (2001, p. 2) contends “e-government has the potential to involve citizens in the governance process by engaging them with policy-makers throughout the policy cycle and at all levels of government.” Strengthening civic engagement according to him fosters a climate where trust in government can be nurtured and built. According to Wescott (2001, p. 108) “e-government is the use of information and communication technology (ICT) to promote more efficient and cost-effective government, facilitate more convenient services, allow greater public access to information, and make government more accountable to citizens.” E-governance initiatives are government’s response to various criticisms lodged by citizens and advocates of privatization. This reconstitution of the way government operates has been the strategy pursued to improve citizen participation in government. For many citizens, the idea that many functions normally conducted at a government office can now be completed on-line is very appealing. Even more appealing to citizens, according to Norris (2003), is the fact that e-government websites allow interactive communication, which he contends connects citizens and the state in a way that they have not traditionally communicated. He also posits that information and communication technologies (ICTs) facilitate both the delivery of government information and services ‘downwards’ to citizens and also public feedback ‘upwards’ to government. The latter mode of communication, many believe, will foster increased citizen participation in the governance process which hopefully strengthens governance and deepens democracy. Upward communication is perceived to be a better strategy to promote increased citizen participation because many governments are perceived to embrace one-way communication. Many citizens feel empowered by the fact that they now have options to voice their concerns in a way that they have not had before. However, the upward communication feature will lose its appeal if citizens’ views are not listened to or acted upon. To embellish this point, Norris (2003, p. 6) states that “to meet the requirements of a pluralist democracy, at a minimum, government websites need to emphasize the provision of rich information content as well as facilitating two-way interactive communication with officials in the agency and with other issue-related policy networks.”

In Estonia, the government, according to Duivenboden (2002) fosters two-way communication by according citizens an opportunity to comment on bills in a special chat room prior to the moment that it is actually being put forward in Parliament. Duivenboden (2002) goes on to say that if a government is to be perceived as responsive, government institutions must be open for social debate as well. These statements suggest according to Lyon (1994) that if a government is to be perceived as democratic, there has to be a degree of involvement by the citizenry in the political process. By making additional options to citizens to make their concerns known, governments that implement websites which promote two-way communication create a climate to improve trust which they hope translates into more citizen participation in the governance process.

On the other hand, others argue especially as it concerns African Americans and other minorities, that traditional methods of democratic participation have not led to increased citizen participation or trust. As a matter of fact, they have led to mistrust. Many minority communities see e-governance as an effort to further disenfranchise a group that has historically been disenfranchised. Because of this perception, efforts at increased African Americans participation in e-governance are hindered by deep-seated mistrust and voting irregularities as well as what has become known as the digital divide.

E-GOVERNANCE AND IMPROVED CITIZEN TRUST IN THE AFRICAN AMERICAN COMMUNITY

Until the barriers of mistrust, education, and the digital divide are solved, it is unlikely that e-governance initiatives will spur increased African American participation in the political process via the Internet. The most Herculean task for policy makers who are concerned with increasing African
Americans’ use of ICT is the residual mistrust that has remained since the 2000 presidential elections. For instance, according to Litchman (2003 p. 1):

Al Gore lost Florida's presidential vote because electoral officials tossed into the trash can as invalid more than one out of every 10 ballots cast by African-Americans throughout the state. In some counties, nearly 25 per cent of ballots cast by blacks were set aside as invalid. In contrast, officials rejected only about one out of every 50 ballots cast by whites statewide. This vast racial disparity in ballot rejection rates defeated Al Gore. If black ballots had been rejected at the same minimal rate as white ballots, more than 50,000 additional black votes would have been counted in Florida's presidential election. Given that more than 90 percent of blacks favored Gore over Bush, Gore would have won Florida by at least 40,000 votes, prevailed in the Electoral College, and become president of the United States on Jan. 20, 2001.

Easton (1965) contends that two types of trust in government are observable and they are: specific and diffuse. Specific support according to Parent et al. (2004) and Easton (1965) can be traced to citizens’ satisfaction with government outputs and performance. African Americans feel that they have been failed in the area of government performance as it concerns their enfranchisement at the voting booth. For instance, according to a New York Times Editorial/Op-Ed (2004, p. 1) “Blacks and Hispanics are still discouraged from voting under the guise of “ballot integrity” programs that are supposed to be aimed at deterring fraud at the polls.” More recently according to this same article, “a local Texas prosecutor threatened to arrest students at historically black Prairie View A&M if they tried to vote from their campus addresses, which the law allows them to do.” (New York Times Editorial/Op-Ed 2004, p. 1).

Until minority voter suppression is ameliorated, African Americans will continue to mistrust institutional initiatives authored by government. Resistance by this group will work to impede initiatives such as e-governance that attempts to give citizens more access to government. Ideally, e-governance could eliminate voter suppression efforts because African Americans will not have to go to the polls. However, because online voting is vulnerable to fraud, Blacks are even wearier of partaking in a piece of technology that could have positive benefits. Furthermore, any attempts to gain the confidence of Blacks to use this technology has been undermined by various reports that underscore the glitches associated with e-governance initiatives geared toward online voting. For instance, according to a report on CNN.com, a myriad of missteps and “failures in primaries across the nation have shaken confidence in technology installed at thousands of precincts” (http://www.cnn.com/2004/TECH/04/26/electronic.voting.ap/index.html). For minorities, this is an ominous sign of things to come. Since poll taxes, literacy tests, and grandfathering, minorities have been subject to chicanery without the protection from the government. The highest court in the land on several occasions has stood by silently while African Americans have been disenfranchised. To be more precise, the court has supported disenfranchisement during periods when this was an acceptable practice in the United States. This ambivalence toward minority disenfranchisement undermines efforts of e-governance concerning improving participation and trust in the African American community.

Another problem supporters of e-governance face as it concerns increasing African American participation and trust in government is summarized by Holzer et al. (2004, p. 5), who state that “the digital divide presents governments with an interesting dilemma regarding digital democracy, in large part because individuals disadvantaged by that divide often do not have electronic access or the skills to deliberate public policy via ICTs. Making matters worse, such individuals are often already disengaged and do not participate in the public policy process.” Additionally, the digital divide which examines the gap between people who have access to the Internet and those who do not further illustrates the wedge that exists between minority communities and other groups. Many minority communities see the implementation of online voting and e-governance initiatives as a ruse to disenfranchise their communities because the computers are susceptible to fraud and they do not have the resources to purchase a computer. Presently, states want to update the outdated voting machines so many minority communities ask what makes us think they will install computers that facilitate voting while there are still
so many barriers prevalent in today’s society. The Florida presidential elections of 2000 demonstrated to minority communities that nothing is beyond those determined to run the country. Also, those who are disengaged because they lack access to the Internet cannot learn rudimentary computer skills, nor can they access information that provides economic opportunities, and they feel that they cannot share in the benefits of government. Finally, Tolbert et al. (2002, p. 1) conclude that “because of the unequal access to technology, the Internet may only expand turnout rates among those already predisposed to vote, broadening the gulf between those groups who do and do not participate.” Some African Americans see this as an attempt to lock them out of the democratic process. Tolbert et al. (2002) cite Putman (2000) who asserts that the new questions surrounding the effects of technology on democracy are even more important when you consider the fact that for the last three decades civic engagement and participation in American politics has continued to decline.

MISTRUST AND DISENGAGED CITIZENS UNDERMINE SOCIAL CAPITAL FORMATION AND E-GOVERNANCE EFFORTS

Before governments can introduce tools that facilitate citizen involvement, they must build social capital in the respective communities and as long as there is a relatively high degree of mistrust, it is unlikely that the government will succeed. According to Allen et al. (2001, p. 1) “social capital can be thought of as the framework that supports the process of learning through interaction, and requires the formation of networking paths that are both horizontal (across agencies and sectors) and vertical (agencies to communities to individuals). Because minority voting suppression continues, African Americans are less likely to have enough trust to develop horizontal associations with agencies; thus they are less likely to utilize e-governance tools because of their distrust. “Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together.” (Allen et al. 2001, p. 1). Before citizens can be encouraged to participate and trust government, social capital must be developed because social capital fosters coordination of social networks which lead to increased community participation.

E-GOVERNANCE BREAKDOWN

Because of minority voter suppression and other resistant tactics to circumvent minority suffrage, the necessary social networks to govern these communities are undermined by the inequity inherent in these disenfranchisement tactics. In order for initiatives that are spun off of e-governance efforts to work, the community must trust the individuals in the social network because social capital facilitates coordination and cooperation. The central premise of social capital is that social networks have value. Social capital in minority communities has been devalued by diabolical schemes to disenfranchise their vote and as a result, cooperation and trust in the social network has led to a breakdown in communication and governance. The legitimacy and means to which the government conducts its affairs is called into question because of the perceived unwillingness of the Congress, Courts, and the Presidency to protect its right to vote. Social networks between people of color and agents of the government will remain broken until there’s equity in the three institutional powers delegated to serve the citizenry. Once there is equity as it concerns African American suffrage, legitimacy, representativeness, and then trust will return. When minority rights such as suffrage are protected, then the government can reclaim its legitimacy in this community’s eye, which will hopefully stimulate minority action to engage in the political process. Once this is accomplished, these communities will be more inclined to reestablish social networks that facilitate governance which is grounded in the interaction between these formal institutions and those of civil society.
CONCLUSION

The steady erosion of people’s trust in the government over the past thirty years suggests that citizens are increasingly cynical about government. This erosion for people of color is fueled by the Congress, Courts, and the Office of the President’s unwillingness to protect people of color’s hard fought victories to gain protection under the Constitution of the United States. As long as people of color are disproportionately disenfranchised and deprived of the opportunity to vote, the social networks necessary to improve governance will remain strained and dysfunctional and thus the governance process will remain broken within this community. People of color will continue to not participate in the political process as long as they sense that they are not wanted in the process. This creates an impediment for e-governance initiatives to increase participation and foster trust because of the current climate that deprives people of their rights because they differ ideologically.

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E-Government: New Solutions and New Problems

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THE TECHNOLOGY

E-government is being defined by technology instead of ideology and by its inventors instead of its customers. It is always thus with breakthrough technologies. Customers don’t know they need something until they see it. Information and Communications Technology (ICT) is no longer an evolving solution, an innovation in search of problems and needs. While that may have been true 15 years ago, we now argue that e-government has created the most revolutionary change in the American government since the writing of the constitution of the United States. The first awkward steps in this transformation didn’t amount to much of an achievement, yet clearly established the value and unlocked the imaginations of those who could see the next phases of this transformation.

E-government is defined for the purposes of this paper as Information and Communication Technologies (ICT) used for three purposes (so far): 1) Communicating to the people; 2) Receiving communications from the people, and; 3) Conducting transactions (such as handling auto registrations or accepting applications for Social Security benefits). There is more to come, but even if there were not, what has been gained so far would be enough. ICT has made government more transparent, reducing the risks of corruption and influence peddling. There is no doubt there were some serious extravagances when decisions were made about how much to spend for the Senator’s laptop; so there is no claim that ICT has been cheap: but no matter what it has cost, ICT has already paid for itself many times over.

THE NEED

For most Americans, government costs too much. If it didn’t cost so much, people would still be unhappy with government for not accomplishing enough. The demand for services ratchets inexorably in one direction. Americans want it both ways, lower taxes, and government-guaranteed happiness – and they want more for less.¹ Discount government – MacGovernment. The problem with government is that there is no one with whom to bargain. Average Americans cannot take their government business elsewhere, like changing insurance companies. Once every four years, Americans bring their complaints into the voting booth and replace whoever is in charge – or they don’t. Either way, the outcome has not been very satisfying because things really don’t change very much after an election. Fatalism is a pretty common view of government in the U.S.

THE SETTING

To set the stage, it’s appropriate to begin with a condensed review of some relevant aspects of the history of American government during the last 50 years. It is easy to generalize about Americans as a relatively placid people about their government. Some say indifferent, others might say preoccupied (with making money, of course), and still others will say fatalistic – convinced there just isn’t any point fighting city hall. When the situation in the U.S. gets really unpleasant, American people have demonstrated they can get excited and they can take action. A modern example, of course, is the attack on the New York World Trade Center on September 11, 2001. An earlier example, one with less drama,

but energizing nevertheless, was the unrest of the mid to late 1960s and early 1970s. After the very calm pos-WWII “Father Knows Best” decade of the 1950s, Americans were shaken by the extent to which an aroused citizenry could turn destructive and ugly. Americans were accustomed to the sight of burning cities and rioting students on other continents, but the civil rights movement, the Viet Nam war, the drug culture and the decline of family values (whatever that means) created a growing alarm about the future of American democracy. American cities were burning, and American college students were rioting and being killed by American soldiers. 

The unthinkable became reality. Gone was the quiet but earnest discourse noted by Alexis de Tocqueville a century earlier — replaced by the polarizing extremes of harsh criticism and apparent government deceit. In the midst of this chaos, a group of young public administration scholars and practitioners convened at a conference center in upstate New York and agreed something needed to be done. The meeting is known as the Minnowbrook Conference, and for many it marked a point of departure from traditional approaches to organizing the government.

Hierarchical rigidity was declared unresponsive and the dispassionate and mindless conformance to official policy and procedure was pronounced soulless at Minnowbrook. America needed principled leadership in a new direction, and the Minnowbrook attendees saw the American bureaucracy as a vast resource that could be diverted from its mindless burrowing in the archives of the past toward a vision of social equity and could be transformed into a flexible, decentralized army of talented and hard working administrators who knew what to do and how to do it and just needed a little freedom of movement. They foresaw the possibility of government with values -- with soul. But the flames in American cities were extinguished, the Viet Nam conflict ended, and the perverse manifestations of racial prejudice began (too slowly) to erode. The world returned to normalcy and the passions of Minnowbrook turned from flame to ashes with nothing much to show for it during the next couple of decades.

For the American public, the most drama about government finally came from Ronald Reagan’s campaign for the presidency. President Reagan was a man of passion and he directed his anger at the high cost of government. He was also convinced that the American government was more intrusive than it needed to be, and that the American people would find higher levels of prosperity without big government bureaucratic shackles. The following quotation comes from President Reagan’s inaugural address following his first election as President: “In this present crisis, government is not the solution to our problem; government is the problem.” He promised the American people he would reduce the size of government. In the classic American liberal democratic tradition, many argued that Reagan was simply responding to the interests of big money at the expense of badly needed social programs; but Americans responded to Reagan’s passion and sent him to Washington D.C. to restore order to government. There’s a problem with Washington, though, and we soon had bigger government (and a bigger deficit) than ever. Washington is like that -- many smart lawyers in that city make sense of the very profitable status quo. They eat idealists and reformers for lunch in Washington D.C.

The next serious attempt at reform came during the end of the 1980s under a program known as New Public Management, (NPM). New Public Management was a war on two fronts -- against both of the twin evils of bureaucracy – it was a battle to reduce costs and a battle on a second front to improve output. During the 1980s, business was getting lots of visibility for the success of its improvement efforts. There was an entirely new drive aimed at putting the customer at the top of the priority list.

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2 On May 4, 1970, students protesting the Viet Nam war at Kent State University in Ohio were fired upon by poorly trained National Guard army soldiers. 4 of the students were killed.
Competition in business meant that prices must be lower and value higher in order to survive. Lower prices were forcing a reexamination of how business was managed. Business people had learned the hard way that just cutting costs isn’t likely to have a beneficial effect – what were needed was an increase in productivity and an improvement in value, service, and quality. Businesses were reinventing themselves, and becoming learning organizations in the process. New buzzwords were creeping into the vocabulary as fast as the management consultants could coin them: Customer driven, Lean, reinvention, focused factories, market orientation, nimble operations, operations cells – America had been overtaken in the production of automobiles by the Japanese – a small island nation with scarce natural resources. It was a wake-up call the likes of which the American business world had never seen, and American businesspersons became enthusiastic and innovative, and they made real progress. Surely government could be improved as well.6

This was the spirit that was overtaking government, and New Public Management (NPM) was written on the parade banner. Any attempt to stimulate radical change must begin by addressing the culture and the values, so there were widespread attempts to replace an undeniable tradition of apathy and lethargy. During the Clinton presidency, Vice President Al Gore was chosen to lead a major reform in American government. In order to facilitate the transition, managers were given more flexibility and control. Government was “atomized,” made smaller and quicker. The emphasis in day-to-day operations shifted from efficiency to service. Efficiency was still desirable, but it was efficiency rooted in integrity. Business was faster and more efficient – so parts of government were “privatized” in an attempt to cut costs. From business, government took lessons about accountability and measurement – and substituted market incentives for hierarchical authority.7 Many of the values of the Minnowbrook conference of 20 years earlier finally found voice in policy.

Many of those “business reforms” didn’t work, in some cases because of resistance to change, and in other cases just because government is not a business. But on one front, beginning as a natural part of the growth of NPM, something did work … ICT worked. At first government websites were little more than organization charts and phone lists, along with pictures of Mathilda at her post at the switchboard, but people liked it, and said so. But ICT was more important than just giving people a list (for which, incidentally, the American people were very grateful). Suddenly people were calling the right numbers. That was saving everyone lots of time. Real time-savers don’t come along every day, and when they do they have a remarkable snowball effect. The time savings with some “clients” or in some areas, allowed people to do a better job with other clients or in other areas. It’s not something that was noticed right away, but eventually administrators realized the backlogs and throughput times were shrinking. Customers who had waited three weeks were suddenly getting their responses in three days. That’s how this technology works. It isn’t a matter of a 15% improvement in productivity; it’s a matter of tripling or quadrupling productivity. It’s difficult to overstate the importance of this effect. Until the evidence was visible, the only people talking about the advantages of computers were IBM and Microsoft. In industry, up to 70 percent of the material planning software implementations were failing the first time through, frequently at a cost of millions. Major overhauls fail to achieve their objectives in high numbers.

What made ICT catch on is that it wasn’t a major overhaul – more like a minor adjustment. And yet it is plain today that in the world of the bureaucrat, nothing this significant has occurred in the last two hundred years. The benefits of ICT in government are well documented and will not be reprised in any length, here, except to demonstrate how well the process aligns with the goals, if not the methods, of New Public Administration, and New Public Management.

**THE TOOLS**

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7 Ibid.
The promise of ICT as a path to a kind of government so different that it merited a new name (e-government), came from its ability to do three things deftly: In the beginning when it was nothing more than a convenient list on the town square, it was an accurate list, and changes could be made instantly and were available simultaneously among all users of the information, internal and external to the organization. It really was enough to justify the investment. But it was only a small step. It was easy to get carried away with the superlist called the web, and agencies and organizations of all kinds just assumed their sites would be visited by hundreds of enthralled visitors every day, eager to know the history of the bureau of seeds and herbs and to download photographs of Mathilda who had been answering the phone for 48 years. ICT was developed from the agency viewpoint. If nothing else had happened, this development made government more accessible, and that’s a worthy goal, and a laudable achievement – but it was a small step in the wrong direction. What the government’s clients wanted was not information about the agency – no one cares about the agency. Really – no one. What New Public Administration and New Public Management recognized was that the government needed to be client-centered, not agency centered. Translated into ICT language, this meant the government’s websites needed to be user-friendly. Government websites actually have several layers of clients: Government to citizen, government to business, government to government employee, and government to government. The nature of an agency’s relationships with each of these constituencies must guide the development and praxis of e-government.

The next development led to something really significant – the capacity for two-way communications. The citizen could participate in government. If transparency in government is a value, then participation by an informed citizenry is a value with more powerful appeal – and e-government was making that possible. The government could inform the polity, and then solicit information, data, ideas and innovations. Once again it was easy for agencies to assume Americans wanted to be involved in government. Some Americans do, but in fact not very many. Many Americans would happily build a wall around Washington so the rest of us could just throw sacrificial money over the wall once each month, to be devoured as only governments can devour. What we pay for government, we’d happily pay to get less government in many areas of our lives.

As ICT continued to improve, new capabilities were added until agencies reached the third stage of this process and began doing business, real transactions, through their computers. The raw material for administrators is information. The strength of ICT and the web is information. The initial frustrations of dropped connections, disconnected links, interminable delays and awkward and cranky user interfaces gave way to web pages that could anticipate customer needs, correct customer input, verify entries against history, adapt to change and conduct transactions. Today people close to retirement can check their Social Security accounts and apply for benefits, order Postage stamps, apply for government jobs, search the Library of Congress, and report crime from their desktops while waiting for the laundry to dry. The processing time has been cut in half and in half again, and again. The drudgery that employed drudges has been evaporating into the ether. The acres of paper necessary to record and be available to clerks and agents to support their work are now available at their fingertips. Even the slowest administrator fingers make information available to the eyes in a tiny fraction of the time it took to travel, locate, identify, check and use information from the files.

Administrative accomplishments in ICT are holding short of full efficiency, sometimes mired in arcane legal issues, (e.g. the department must possess a piece of paper with an embossed seal); and sometimes held back by a problem still groping for technology, e.g. client signatures or the release of a copyright. The technical solutions are not being developed by government, but at businesses like Office Max™, Amazon™ and eBay™ where the technology has been pushed and demonstrated that can accurately process legally valid commercial transactions at prodigious rates because profits are involved.8

States and their suppliers have begun pushing computers into the voting process – e-democracy. The U.S. brand of democracy began with the idea of direct involvement in government but the authors of the constitution quickly realized there was no conceivable vision that would make that possible as the

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8 Brands and product names are trademarks or registered trademarks of their respective owners
nation grew, so the constitution was written to create a representative form of government. This model has its own problems which are worth exploring in order to see whether technology in the form of ITC offers solutions.

The authors of the constitution recognized that majority rule has its drawbacks as a way of making group decisions. James Madison fretted mightily over the idea of the “tyranny of the majority.”9 The goal of the authors of the constitution was a nebulous idea called the common good. The United States was to be a place where people with different ideas and different ways could live in harmony, each acting in his or her best interests, and all living in accepting tolerance for the ways of others, under the rule of law. But James Madison and the other contributors to the constitution foresaw the power of faction. People with common interests band together to impose their personal views of the common good. This is arguably the most serious problem that the United States’ Constitution had to solve. In order to defeat the formidable force of faction, the constitution was written with an extensive network of checks and balances. The three branches of government are equal in their power and in their responsibility to the people of America. The legislature can override the President of the United States. The president can veto legislation. The Supreme Court has the power to rule against both the president and the legislature in matters of constitutionality.

After this condensed history, it is appropriate to ask whether the United States and its constitution are working. Opinions are divided, but after two hundred years, the evidence looks hopeful. The forces of faction are in full bloom. During the mid 20th century, writers and politicians spoke glowingly of the power of pluralism. This was an idea that could make the system work. Law making in the United States was to be a deliberative process where all of the interests were represented and the final consensus advanced the state of the law while protecting the rights of all. By the 60s, however, it had become apparent that some people are “more equal than others,” and the power of money and influence was often creating a tyranny of the minority. When money couldn’t have its way, discourse was creating gridlock instead of consensus.

This is where the U.S. stands today: Congressmen and Senators are so busy trying to keep their jobs they don’t have much time to do the work of the people, and when they do, the forces of pluralism work intermittently at best for the common good. The President of the U.S. is facing increasingly strident protests against the U.S. incursion into Iraq. Most Americans seemed to favor the unseating of Hussein, but academics are justifiably horrified at the idea of pre-emptive war. It’s a road without rest stops.

Figure 1. Voter turnout — Americans who voted in presidential elections as a percent of all eligible voters. Source: Federal Election Commission

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In the background, the American people are staying away from the polls in record numbers. (Figure 1) For some this represents apathy, for others a corrosive fatalism, but for all it represents a trend unfavorable to democracy. Elections have become one-issue procedures, and the issue is the economy and jobs. The problem, of course, is that no one knows whom to believe on this issue, and the only thing that is really clear is that all political parties and all candidates will claim credit for the good times and blame their opponents for the bad.

There are many other issues facing the American people and their democracy, but the purpose of this paper is to determine whether the thought leaders in the field of e-government have reason to believe that the changes wrought by the web will help or hurt. Clearly the side of the equation that measures costs and efficiency is being helped by e-government. During the first years of its existence, there was really no doubt the digital computer was costing far more than it was worth. Organizations of all kinds invested too much money in equipment that needed tending by expensive staffs and that couldn’t do its assigned tasks. That is no longer true. The price of computing power has dropped to levels that could not be imagined just fifteen years ago. People of all ages have developed the ability to reach into the web for the information they need for any purpose.

Nearly two thirds of Americans now access the internet. Nearly a third of internet users have broadband access at home. The high speed of broadband is the last piece of the puzzle necessary to bring the full utility of the web into the home. Computers are ubiquitous in all U.S. schools, and whereas 50 years ago a few future secretaries and young people who planned to go to college were taking a high school class in typing, today’s children cannot remember when they did not know how to “keyboard.” “Keyboard” has become a verb. The computer is now fast enough and the websites good enough that the PC has become as common as the toaster and many times more useful. New homes are being wired for home networks, but wireless technologies have become so good and so inexpensive that wires will soon disappear. Wireless is another industry that is growing exponentially. People of all ages now routinely check the weather, traffic and headlines, catch up on their communications, buy theater and ball game tickets and choose their airlines on the web. So what about government?

The computer offers serious advantages to administrators. In addition to the speed and accuracy mentioned earlier, computers have endless patience, and thrive on the mind-numbing repetitive little chores that used to be done by bored and apathetic administrators. What’s left for the humans is more interesting, less routine, and easier to do with the help of the PC. The internet is a remarkable way to communicate internally. A pound of principle is worth a ton of policies in the work of public administration. Through e-government, the manager can clearly and unequivocally demonstrate to everyone in the organization exactly the values and principles that are to guide administrators in their day-to-day work. Citizen access to government has never been easier. The U.S. Federal government has created a website (www.firstgov.gov) that is a portal to many other federal and state agencies that the American citizen might wish to contact. It’s more important than that – making information available to the polity about where to find farmers’ markets and lists of baby names gives people a reason to come back again and again. The portal makes it easy for researchers to locate and access government data on everything from the unemployment rate by state to the range of the Black Ash tree. The site has made itself useful. The site is connected to all of the states’ websites where customers can take care of motor vehicle registrations, tax questions, and recreation area reservations. The site is designed to be useful for the user (as opposed to being convenient for the agencies it represents).

The promise of e-government becomes more real with increasing traffic, so giving people a reason to visit often leads government agencies to the best return on investment. In a benchmark study,


the Texas Department of Information Services found that annual savings in any department that was able to provide access to its services online would save a minimum of $30,000 if it aggressively marketed access to raise adoption rates to 30%. The highest savings experienced by any agencies was $1,905,000. If the adoption rates were to reach 50%, the highest savings were estimated at $3,174,000.

E-government is improving public administration in another important way. Government e-procurement offers several important advantages over traditional purchasing methods. 1) Administration costs have been reduced with less paperwork, quicker transaction times and an opportunity to shop for bargains; 2) Contract information is available quickly to all potential bidders and changes can be instantly transmitted to all interested parties; 3) The procurement process becomes transparent, increasing its visibility and reducing the probability of favoritism and corruption in the procurement process; 4) The playing field is leveled for small companies, permitting real competition. The state of Virginia recently passed the $2 Billion mark in state electronic purchases, representing more than a quarter million purchase orders. The state Secretary of Administration said industry figures reveal American businesses spend roughly 1% of their procurement dollars on procurement administration, while government spends more than 5%. The state of Virginia says the wide use of the program is an indicator of its acceptance by users and suppliers, and the state expects to reduce administrative costs to 2% annually, saving taxpayers millions of dollars each year.

Each transaction handled by a computer saves an administrator a few minutes or a few hours. It is important to note that although it has been difficult for some lower visibility agencies to budget for high-priced ICT startups, it is a walk in the park to justify increases in capacity, and indeed in visiting nearly a thousand government websites, only rarely did the authors face an unpleasant level of delay, and those only in a few state government sites. ICT capacity is so plainly cost effective, it is easy to budget, and although startup costs are high, the turnover or replacement rate is becoming longer. Early computer buyers found themselves adding memory and other devices every few months. Today’s computers can realistically be expected to last five years before becoming annoyingly slow due to software capacity requirements. Software that went through new generations each year are likewise finding it more difficult to sell upgrades because what is needed is now available and the marginal value of upgrades just isn’t there any longer, and prices are not coming down in recognition of this fact.

The key benefits of e-government are lower costs and improved service delivery. The prerequisites for making e-government both effective and efficient are becoming more widely known, and those who are doing well are being recognized for doing so, and the universe of e-government is shrinking as people learn from each other. Until recently, e-government was treated as just another office procedure in U.S. public administration, but on December 17, 2002 President George Bush signed the e-government Act as Public Law 107-347. This official sanction provides the official goals, mechanisms and funding for an addition to government that has officially become mainstream to the U.S. public administration.

### THE CONSIDERATIONS

These are the considerations for ICT by category of agency need: The first criteria are detailed process mapping of information flow. Information can be categorized as to degree of permanency, whether it must be available only internally or to other agencies or to the public. Some information pods require constant change because of frequent updates, while others are low maintenance. Some information is internally generated and is permanent or nearly so. Examples are birth records, surveys, and deeds. Costs associated with such records are most significant at generation and storage. Retrieval

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and distribution costs are dependent upon frequency of use, and for permanent records those costs are generally low. The main effect of ICT on permanent records is ease of retrieval and distribution.

Some information is constantly changing and requires constant maintenance, upgrading and distribution. Personnel rosters may be an example in some government agencies. Depending upon the criticality of the information system, a procedure may be required to assure that users are aware of changes and have access to the latest versions. In some organizations this is a full-time occupational specialty. The primary cost of such information may be its maintenance, but it is often possible to automate the update process. e.g. cash register scanners not only tell the cashier how much the customer owes the business, but also maintain an accurate inventory balance, which in turn automatically generates order lists at the distribution centers.

Information that must be available to outside users have all the same issues to face, but with added considerations in the area of security. The same is true of information from clients or other agencies and either maintained or generated externally. Depending upon the criticality of the information, mechanisms may be necessary to verify the integrity of the links and the integrity of the data sources. Additional critical questions are whether to centralize or decentralize responsibility for data generation, accumulation and security. It may be appropriate to provide analysis tools (descriptive statistics, charts, graphs, etc.) for the users, or allow users access to raw data and the use of their own analysis mechanisms.

An issue facing everyone in any kind of e-business is whether and how much to charge for access or other services. The availability of Geological Survey Topographic Maps at the national parks, for example, occasioned printing, packaging, inventorying, updating, distribution and stocking. Park visitors understood the fees associated with such services. Today commercial mapmakers need to rely on other forms of income because once produced and uploaded, a map is instantly available to millions of users. The definition of “reasonable” has changed for the fees associated with such access. Should e-government generate a profit? Are such goods priced at whatever the market will bear? Or should the government make it available to all as a budgeted service to taxpayers? Should commercial mapmakers worry about competing with the government and its unlimited resources?

This last issue raised another important line of thinking for e-government. There is an entire layer of professionals who have made a living as competitors to government or as intermediaries between people and their government, mostly attorneys with specialties. Tax advisors, immigration attorneys, title companies are a few of those whose professions may well be in jeopardy. E-commerce is changing the face of retail as surely and inexorably as Wal-Mart™ changed the face of thousands of Main streets across America. Where does e-government fit within American society? These are questions in search of answers. UPS™ gained a foothold in the package delivery business because the U.S. Postal Service (USPS) was notoriously slow, expensive and occasioned a high frequency of lost articles, or at least that was the perception. The problems were exacerbated by the indifference and in some cases arrogance of postal employees who gave the term “bureaucrat” a bad name. In case no one has noticed, USPS prices are down, services are up, and employees are cooperative, helpful and friendly. Should the United States government compete on commercial terms? E-government is predictably going to impact the way Americans do business in ways we cannot now foresee.

E-government websites can say things that should be said – can provide a government spin on the news. While that sounds a little frightening, it should be remembered that the alternative is the U.S. free press, not always a model of informed discourse. Government websites, for example, provide frequent clear indicators of the extraordinary good fortune to be found in the tapestry of colors in our cultures. The websites pay tribute to Native Americans, Black Americans and Latino Americans, for example, in one of the few available counter forces against the negative imagery that is the constant fare of American television and television news. Most Americans treasure the rich cultural legacy that is the product of its history, but because that is not news, it is infrequently said, compared to the daily barrage of negative imagery. Until now there has been no permanent and powerful force to counteract the unfortunate slant on the news that comes through the news media.
REMAINING ISSUES

E-government does not solve all the problems of government. Agencies that are staffed with indifferent or arrogant administrators are still staffed that way after the implementation of a web page. But if the website can handle transactions, then at least the American public can be insulated from the problems. The truth about public administration in the U.S. is that agencies are staffed with thousands of capable and dedicated public servants, most of whom represent their agencies capably and well. There are just enough exceptions that e-government provides a welcome side benefit.

E-government does not solve the problems of faction. The key debate is how to define the public good. The rich and powerful can still wield a disproportionate degree of influence, but the U.S. has seen a geometric leap in the number of special interest groups, many of which have sprung up in response to the excesses of powerful minorities. The internet is making it ever easier to organize, inform and harness the power of such groups, and while some may decry the harsh cacophony of voices now being heard – it is in fact very much in the interest of the country to provide a mechanism for public discourse to replace the back room dealing that characterized American politics for much of its history. That it is time consuming and inconvenient does not mean it is bad for the common good. A deliberative process means that it is wrong for decisions to be made for any reason before the deliberation has taken place.\(^{15}\)

A nagging problem of e-government is the fairness of the representation. In opening this broad avenue of access to government information and services, e-government has increased the degree of disenfranchisement for those with the lowest income and education. America has a significant population for whom English is a second language, and a large number of handicapped individuals for whom access remains a problem. A study of state and federal websites conducted at Brown University found that 89 percent of government websites are inaccessible because their language is consistent with reading abilities higher than the eighth grade level, while half of the adult American population have a reading ability at or below the eighth grade level.\(^{16}\) Care must be taken in the use of these and similar statistics as some websites are clearly intended for sophisticated audiences such as attorneys, accountants, researchers and engineers or scientists. The Brown study shows that foreign language access has increased from 4% to 13% during the last three years.\(^{17}\)

It is an open question whether the American people will avail themselves of the opportunities presented by e-government to influence their legislators and legislation. Convenience may not be the correct source of motivation for the disenchanted and disaffected fatalists among the citizenry. Engaging the polity is a serious source of concern and attracting increasing attention in university curricula. The motivation for that concern is unclear. It may be a legitimate concern that the people are not being heard. It may also be a strategic element of the liberal political agenda. It certainly is not lost to the very bright people who make curriculum decisions that e-government and an engaged citizenry can combine to apply considerable pressure in a direction they favor. That is the mode of the U.S. representative form of government, and if it has political ramifications, that is as it should be. Both liberals and conservatives must take their chances with the American voter.

It is also an open question whether agencies can respond to the communications they solicit. The number of government websites that furnish contact e-mail addresses has now reached 91%. Providing that contact information incurs an obligation to respond or quickly lose credibility. The Brown University study included results of a test study revealing that 68% of state web agencies responded to a


\(^{17}\) Ibid.
simple question in 2003. The good news is that number is up from 55% in 2002. Response times varied greatly, but 62% responded within a single day. In 2002 the number was only 35%.\(^\text{18}\)

Computers will not replace people in government. If computers are endlessly patient, so are they endlessly dispassionate and unfeeling. There are people and there are times when dealing face to face with a human is the right way to conduct a transaction. There are agencies that do not need a web presence. There are managers who are not deserving of the title and there are politicians with the wrong idea about their responsibilities to the American people. E-government will not help in those circumstances. The technology in the hardware has outpaced our ability to channel the flow of fraud, pornography, and pure junk on the internet. There are serious issues related to privacy, security and junk information that have not yet received enough attention.

In a 2001 survey, two out of three Americans prefer to move slowly with e-government because of concerns about security and privacy. 40% of Americans who have low confidence in their government (roughly 33% of those polled) think e-government should have a low priority. This indicates those Americans do not consider e-government as a fix to their favorite problems – however when informed about the kinds of services associated with e-government, the percentage of disaffected Americans who think e-government should be a high priority jumps to 71 percent.\(^\text{19}\) This is a significant leap and strongly supportive of the principle that in order to be effective for both government agencies and their citizen-clients, online services must be very aggressively marketed. The improved services for citizens and improved efficiencies for government can obviously not accrue for the high percentage of people who have yet to stumble across a government website. The good news about security and safety is that the technology is not difficult, it is only tedious (and therefore expensive) and has not yet reached a sufficiently high priority to cause the re-examination of the billion lines of code that affect safety and security. This chart (Figure 2) shows the number of government sites that now offer privacy and security statements, a positive indicator of progress.

**Figure 1. E-government Safety and Security**

![Percent of Government Web Sites Offering Security and Privacy Policies](chart.png)

**CONCLUSION**

Problems remain with implementation, and the results are not without flaws; but it is not too early to begin celebrating the success of e-government. The key benefits of improved service delivery and reduced costs has hit squarely in the middle of the reform target – the twin evils and twin goals of

\(^{18}\) Ibid.

American government. Administratively, economically, culturally, socially and politically, e-government has exploded on the American scene – a formidable force for good. Just as e-business is in the process of transforming retail sales, e-government is transforming public administration, and the world will never be the same. Just as Wal-Mart is accused of destroying Main Street, the internet is causing brick and mortar stores of all kinds to crumble. Government moved too quickly into this arena and spent money on flawed technology. Government moved too cautiously into the digital age, and lost opportunities – but now that the research and startup costs are paid, government and the people of the United States are reaping a strong harvest. The task isn’t over. Computers have made invasion of privacy routine, and made available instructions for the fabrication of home-made explosives. Significant security issues are near the top of the priority list of every agency, supplier, producer and developer of computers and its software.

Finally, it should be noted that the computer is freeing up enough time for capable people to work on the remaining problems – and in truth, the remaining problems cannot eclipse the benefits. E-government is a significant advance in public administration.

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Information Technology Strategic Planning: An Initial Framework

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This article is part of a larger project to determine whether state strategic plans for information technology are making a difference. As a first step we develop a framework for analyzing state strategic plans and then apply the framework to the plans of seven states using a lexical analysis.

Before analyzing strategic plans it is important to address issues associated with strategic management, partially the strategic planning process. Mintzberg (1994) raises six criticisms of the strategic planning process. For example, the strategic plans are often not implemented as intended. The process is time consuming and can dominate staffing priorities. The implementers of strategic plans are often excluded from the planning process. Moreover, strategic planning often fails to develop true strategic choices, plans are invariably wrong, and the data used often lacks the richness needed to make strategic decisions.

There are also concerns about strategic planning specifically in the public sector. For example, the existence of multiple, often overlapping, strategic planning initiatives creates an atmosphere of gamesmanship where agencies must prioritize competing programs and determine which is appropriate for a given plan. This leads to a budgetary gamesmanship whereby successful managers withhold information from each overlapping plans in an attempt to maximize their resources. The resulting plan becomes less strategic and more the result of a political process. The output of a strategic planning process is all too often a glossy brochure used by managers to influence policy makers in the budgetary process. The resulting document is inherently a part of the annual budget process and not strategic.

Finally, critics of strategic planning in the public sector argue that “long-term” in the public sector has a very different meaning than in the private sector. While executives in the private sector can extend their vision five to ten years, public sector managers must cope with election cycles whereby their top leadership and funding priorities last only as long as the current administration. Critics often contend that the process is more about the symbolic act of appearing inclusive and businesslike than actually framing strategic choices and critically examining the mission of an agency.

Despite the criticisms, the strategic planning process is widely used in both the public and private sector. There is a general rational notion that a critical examination of business process or agency leads to improved performance. Nowhere is this more important than with information technology. The Center for Technology in Government estimates that between 50% and 80% of IT projects fail. Reasons for IT project failure vary: unrealistic expectations; lack of organization support/acceptance, failure to evaluate and redesign business processes; lack of alignment between organizational goals and project objectives and failure to understand strengths and limitations of new technologies; and projects are too specialized or ambitious (CTG, 2003).

In fact, the private sector has advocated strategic planning for information technology since the late 1970s, and the public sector has recognized its importance for nearly two decades as well. Advocates of strategic planning for information technology in the public sector argue that government is a large multi-product firm that process information either as a direct product or as a necessary aspect of delivering services to citizens. In addition, it is a necessary and basic tool in government. The decision to invest in and maintain updated information technology is no longer an option, but a fundamental and continuous process (Marchland & Kresselin, 1988). Furthermore, the strategic role of information
technology in public organization merits a place in the strategic planning process. Developing and implementing a strategic IT plan is a part of any successful management process (Fletcher, 1999).

We view information technology as a strategic tool that enables organizations to accomplish their mission and objectives. Despite the need to include IT in strategic planning processes, little analytic research has been done on strategic IT plans in the public sector. The lack of analytic research and an evaluative framework has not deterred state governments from developing strategic plans for information technology; however it appears that the initial surge of plans which started in the mid 1980’s has leveled off. In 1989, 33 states had developed strategic plans for information technology (Caudle 1989), while more than a decade later a survey of state IT managers revealed that only 35 states had such plans (Reed, 2002).

Because 70% of states in the U.S. use strategic plans to guide their IT decisions this paper proposes an analytic framework for comparative evaluation. We also apply the framework to seven state plans using a lexical methodology.

AN ANALYTIC FRAMEWORK FOR STATE IT STRATEGIC PLANS

Our framework builds on a Venkatraman’s (1997) framework for managing IT resources. According to Venkatraman, “an effective strategy framework recognizes four interdependent sources of value from IT resources and the approaches for managing each source.” Venkatraman’s model incorporates purpose based on efficiency, business capability, and risk propensity. He concludes that there are four strategic value centers for private sector organizations, including services centers, investment centers, cost centers and profit centers. He argues that a comprehensive strategic framework for information technology incorporates all of the four value centers.

Our framework examines the purpose of an agency’s IT initiatives on an efficiency and effectiveness scale. In addition, we also examine the relationship of the plan to the organization on an internal and external scale. Figure 1 illustrates our framework. As with Venkatraman’s model, we assert that a comprehensive strategic plan for information technology will incorporate all of our strategic values centers for information technology.

Figure 1: An Analytical Framework for IT Strategic Planning in the States
Our framework combines both Venkatraman’s strategic framework for IT with Moon’s (2002) electronic government framework. Moon’s framework consists of five stages: (1) information dissemination/catalogue; (2) two-way communication; (3) service and financial transactions; (4) vertical and horizontal integration and (5) political participation. We assert that Moon’s higher order stages (stages 3-5) are strategic value centers for information technology in the public sector. As such, figure 1 illustrates that service and financial transactions take place with entities external to government agencies and focus on efficiency such as the payment of taxes, parking tickets, or licenses online.

In the strictest sense, online political participation occurs between citizens and government. However, increasingly, the public policy process occurs online between all individual and organizational stakeholders including citizens, interest groups and government agencies. As a result, our framework includes political participation as an activity that takes place between entities external to government and focuses on the quality of such interactions, as opposed to the frequency. Examples of political participation and digital deliberation include e-mailing an elected representative, electronic voting, or participating in EPA’s public comment website during the rule-making process.

While Moon combines vertical and horizontal integration, we see them as separate value centers. In 2001, Layne and Lee differentiate between horizontal and vertical integration. They argue that vertical integration occurs when agencies integrate the systems underlying their administrative processes. The vertical integration results are that “boundaries at different levels of government become less distinguishable as the lines between them blurs and functions move back and forth between what was once federal and the state” (Layne and Lee, 2001). Examples of vertical integration programs include data warehouses, data-marts and enterprise resource planning initiatives.

While Layne and Lee distinguish between horizontal and vertical integration, they fail to identify examples of horizontal integration. Layne and Lee state that horizontal integration occurs when “different functional areas communicate with each other an share information.” We argue that Horizontal Integration occurs when communications and interactions between individuals at the same or comparable levels in an organization increase with regard to their frequency and richness. Examples of horizontal integration include knowledge management initiatives and succession management activities.

**METHODOLOGY**

To test this framework, we look at the states ranked in the top 25 in their e-government capabilities in each of the past three years (West, 2001, 2002, 2003). Nine states repeatedly appear in the top ranking: Florida, New York, New Jersey, California, North Carolina, Utah, Washington, Texas, and Illinois. Texas and Illinois did not have plans in a format compatible with our project, and were excluded from our analysis. In other words, our sample includes seven states that have had top IT and E-government performance. The methodology used by West may lead to concerns about the validity of the ranking, and his ranking is somewhat different from other ranking initiatives such as the Government Performance Project. However, this should not affect the design of this study because this is an initial analysis to assess the applicability of the framework. An analysis of all 50 states will be conducted later on.

IT strategic plans of the seven states were obtained via various sources. Content analysis was chosen to analyze the frequency of keywords in state plans and plot state plans on an internal/external and efficiency/effectiveness framework. A list of 80 key words was developed from state plans, and sent to experts for comments. Then a list of 70 keywords were presented to 50 graduate students (MPA and MBA), who were asked to identify which keyword reflects which dimension of the framework. Inter-coder reliability was calculated based on the response, and 39 keywords were identified with an inter-coder reliability greater than .75. To get an equal number of keywords for each variable (internal, external, efficiency, effectiveness), the number of keywords was reduced to a total of 28. With the keywords, Nvivo, a software for qualitative analysis, was used to assess the appearance of the keywords.
RESULTS AND ANALYSIS

The relative frequencies for all the seven states are summarized in Figure 2. All states pay attention to all the four values, although with different focuses. From the figure, efficiency is the dominant value for New York, North Carolina, and Washington, but not for the other four states. External values are clearly more important for California, but this pattern does not appear in the other six states.

Figure 2: Relative Frequencies

![Relative Frequencies](image)

The seven states are then placed in a two-dimension framework in Figure 3. California is particularly different from the other six states, showing the strongest focus on both external and effectiveness values. New Jersey is relatively strong in external values, but attends to efficiency values as Florida, North Carolina, Washington, and Utah.

Figure 3: IT framework for strategic planning

![Efficiency/Effectiveness and External/Internal](image)
The states are then plotted in our framework in Figure 4, which differentiates the seven states in four categories more clearly than Figure 3. California is unique for its strong focus on external and effectiveness values. Comparatively, New York focuses more on efficiency and internal values, and New Jersey focuses more on external and effectiveness values. The majority, including Florida, Utah, Washington, and North Carolina, focuses on effectiveness and internal values. The distribution of the seven states generally fits in well with our perception of the practices of those states.

CONCLUDING REMARKS

It seems that the framework proposed here is able to capture the differences of the strategic plans among states. Although states may have different focuses, their plans do have some common elements. The majority of the state plans in the sample focuses their goals, objectives, and programs internally and emphasizes effectiveness. Five of the seven states had efficiency/effectiveness ratios less than or equal to 1. Five of the seven states had internal/external ratios of less than or equal to 1.

There are some concerns about the methodology. Dates on the plans vary. Total number of years addressed in the plans varies from 1-5 years. The earliest current plans cover is 1999 and extend at the latest to 2006. The total number of keywords used is only 28. The total number of state plans included is only seven. There was considerable variation in the breadth and scope of what states deem their “strategic plans for IT.” Some are short, broad vision statements; others are lengthy and incorporate performance measures and benchmarks. Page length of plans varies from 15 pages to hundreds.

Our future analysis will pay attention to several aspects. First, the sample size will be increased, with all states (33-35) that have IT strategic plans included. Second, the number of keywords will be increased. Third, the bigger questions should be answered such as whether state strategic plans for information technology influence the performance of public programs, whether there is a relationship between plans (framework) and state rankings in areas such as infrastructure (Maxwell School), and e-government (West).
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INTRODUCTION

We are living in an era of transformation, revolution and change that is largely triggered by the development of information and communication technology (ICT). As pointed out in The Economist (Symonds, 2000), after electronic commerce and electronic business, the next Internet revolution would be electronic government. Electronic government, in its simplest form, involves the application of information and communication technology to the process of public administration. There are advantages that can be clearly verified by both government and the citizen. Government procurement or public procurement is an important part of public administration. This paper identifies how information and communication technology has changed public administration and government procurement in China in the last few years. The rest of the paper is organized as follows: section II describes the development and current status of e-government in China; Section III analyzes the application of e-commerce by the government to public procurement, and Section IV makes a conclusion.

E-GOVERNMENT IN CHINA

China’s electronic government (e-government) program was initiated on January 22, 1999 when China Telecom and the State Economic and Trade Commission’s (SETC’s) Economic Information Center formally launched the Government Online Project (GOP) along with the Information Offices of more than 40 central government departments. The objectives of the project include: providing more effective coordination between and across government organizations, both horizontally (between ministries), and vertically (from Center to locality); building up national and worldwide confidence of the Chinese central and local governments’ presence on, and commitment to, the Internet; making government information available to the public, while also reducing government expenses by increasing administrative efficiency; laying a base for the establishment and growth of China’s “electronic government;” encouraging electronic procurement; and accelerating the acceptance and use of the information economy in China.

In February 2004, the State Information Construction Promotion Office issued the newest “Report on China’s Internet Resources.” According to the report, by Dec. 31, 2003 there were 1,187,380 Internet domain names, 595,550 websites, 311,864,590 web pages and 169,867 online databases in Mainland China. Website portals ending with “.com” and “com.cn” accounted for 79.1 percent of the total, followed by portals ending with “.net” and “.net.cn” accounting for 13.1 percent, while website portals ending in “gov.cn” only accounted for 1.7 percent. Among 595,550 websites, the percentage of government websites declined from 8.6 percent in 2001 to 3.2 percent, and they provided merely 2 percent of browsing volume by traffic, only slightly higher than individual websites. In contrast, corporate websites accounted for 70.9 percent of total websites, and generated 53.5 percent of the traffic, while commercial websites accounted for just 8.2 percent of the total number of sites, but achieved outstandingly 36.2 percent of the total browsing volume. Although the attractiveness of government websites was much lower than commercial and corporate websites, the report revealed that they were averagely maintained by 4.4 persons per website, which ranked second among all kinds of websites and was 1.5 times higher than that for corporate websites. This might indicate that the efficiency of

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1 China Internet Network Information Center (2003), Statistical Reports on the Internet Development in China, http://www.cnnic.net.cn
government websites is far from being satisfactory compared to that of corporate and commercial websites.

There are three phases of e-government, namely, publishing, interaction and transaction. Publish sites seek to disseminate information about government and information compiled by government to as wide an audience as possible. In doing so, publish sites serve as the leading edge of e-government. Interactive e-government involves two-way communications, starting with basic functions like email contact information for government officials or feedback forms that allow users to submit comments on legislative or policy proposals. This phase of e-government may also include the creation of citizen/government forums. A transact website not only offers a direct link to government services available at any time but also creates websites that allow users to conduct transactions online. The development of China’s e-government clearly exhibits such trends and characteristics. Services offered by Chinese government websites are presented in Figure 1. At present, most Chinese government websites offer the standard range of information, from official introductions of departmental functions and responsibilities, to information about State and local laws and regulations. 83.7 percent of government websites published laws, regulations and policies, 82.2 percent of them offered function or vocation introduction and 74.8 percent provided work guide. Some of these sites are also beginning to establish online interaction systems with 54.1 percent offering the function of complaint, 39.3 percent providing public opinion investigation and 35.6 percent building online forums. In some more ambitious cases, transactions like position application, public bidding, project approval and public procurement are provided by around 10 percent of government websites.

**Figure 1. Functions of Chinese Government Websites**

E-government in China is following the logic found everywhere. The state recognizes that the potentially substantial power of the Internet and the web-based activities would promote the economic and social development. E-Government with ‘Chinese characteristics’ means a much more prominent role for the state in the diffusion of Internet access and commercial usage. The rise and growth of the information technology (IT) industry in China prominently follows the trend of top-down push from the government. To realize its commitment to extending network access across the country, the Chinese government launched the Golden Projects in the early 1990s. The Golden Projects initiated by the Chinese central government and the former Ministry of Electronics Industry (now part of the Ministry of Information Industry, MII) was a series of separate information infrastructure initiatives aimed at developing an information economy and building administrative capabilities (Lovelock et al 1996).
Golden Projects initially comprised three elements known as Golden Bridge, Golden Card and Golden Customs. The other nine ‘Golden’ networks were subsequently announced. The 12 Golden Projects are set to promote key services involving customs, taxation, finance, public security, social security, resource databanks, and agriculture and water resources. The projects had three objectives: build a national information highway as a path to modernization and economic development; drive development of information technology in China and unify the country by tying the center to the provinces and by allowing the government to act across ministerial and industrial demarcation lines.

Owing to the Government Online Project and 12 Golden Projects, the market for China’s e-government is growing very fast and has made significant contributions to the prosperity of China’s IT industry. In 2003, the total government investment in IT industry reached RMB 33.21 billion, which was 18.8 percent higher than the previous year. The investment in hardware, software and information services accounted for 67.0%, 16.3% and 16.7% of total government investment in IT. The growth of investment in information services is especially phenomenal, with an annual growth rate of 22.3% in 2003.

GOVERNMENT PROCUREMENT IN CHINA

The provision of public services can be done via the government/citizen channel - G2C, the government/corporate and financial market - G2B/G2I, as well as the government/government (G2G) interface at different levels and spheres. The government procurement (public procurement) is the purchase of goods and services by the Government (G2B) for the purpose of G2C. There is a pressing need to integrate e-government and e-commerce, and e-procurement is the ideal link to make such integration feasible. This section analyzes how the Chinese government utilizes the e-commerce technology to its procurement activities.

GOVERNMENT PROCUREMENT

Initiation of Government Procurement

China began its first trial of government procurement (public procurement) in 1995, when the Shanghai Municipal Finance Bureau and Health Bureau jointly issued a set of provisions on strengthening the administration of the procurement of selected items by health and medical institutions in the city. According to the regulations, open bidding is mandatory for newly approved projects involving a procurement amount of RMB 5 million or more. For projects involving less than RMB 5 million, non-open bidding in the form of price quotation (with a minimum of three quotes) is allowable. For projects involving a procurement amount of RMB 1 million or more, government authorities are required to participate in the project approval, payment, product inspection and efficiency evaluation processes. This development in Shanghai marked the beginning of government procurement in China.

In 1997, as part of its effort to reform government spending, the provincial finance department of Hebei and the Municipal Finance Bureau of Zibo in Shandong province introduced the system of unified insurance and designated repair and maintenance centers for motor vehicles in selected regions. Meanwhile, the Shenzhen Municipal Finance Bureau organized open biddings for the procurement of motor vehicles and office supplies.

In 1998, more provinces and cities followed suit. For instance, the Beijing Gong’an Hospital and Beijing Emergency Center procured medical equipments and ambulances through open bidding. The Beijing Municipal Finance Bureau and Health Bureau also jointly held open biddings for key medical research projects. In the same year, the Shenzhen Municipal Government passed its regulations on government procurement, the first of its kind in Mainland China.

The procurement system of the central government lags somehow behind that of local governments. In 1999, the Ministry of Health, Government Offices Administration, Ministry of Civil
Affairs, and General Administration of Customs were the first to implement the government procurement system on a trial basis.

Ever since government procurement was initiated in Shanghai, the sector developed very fast. In 2001, regional agents or centers of government procurement emerged all over the country, with the total procurement volume reaching 65.3 billion yuan (7.9 billion US dollars), more than doubling the previous year. The scope of government procurement has expanded from goods to construction projects and services.

Legislations

With the widespread use of public procurement, governments at both central and local levels promulgated relevant regulations. In 1999, the Provisional Procedures for the Administration of Government Purchases, China's first national law regulating government procurement practices was issued by the State Council, which was intended to establish a regulatory framework and contained language aimed at relaxing restrictions on foreign participation. The interim regulations appoint the Ministry of Finance (MOF) and the provincial and municipal finance bureaus as the governing agencies in the administration and supervision of government procurement. The new regulations call on all government procurement offices to “follow the principles of openness, fairness, equality, effectiveness, and safeguarding of the public interest.” The new regulations established rudimentary criteria for the qualification of domestic and foreign suppliers and various categories of procurement, including open tenders, tenders by invitation, competitive negotiation, and sole sourcing. The regulation also set broad standards for publicity, notification, bid scheduling, sealed bidding and bid evaluation. Existing contracts will be grandfathered under the new regulations.

On Jan. 9, 2001, the MOF issued a document titled “Provisional Procedures Concerning Public Bidding for Procurement Companies in Foreign Government Loan Projects.” According to the document, the MOF promises to investigate any procurement company suspected of monopolizing the bidding process. The procedures stipulate that financial departments must release all pertinent information regarding qualified foreign government loan projects to procurement companies. Companies responsible for implementing a project must tender bid invitations to more than three procurement companies within 10 working days. If fewer than three companies end up applying for bids, the project must begin again and tender new bids. The entity responsible for offering bids must keep all information that appears in the application forms submitted by procurement companies confidential until after the results of the bidding have been announced. The procedures stressed that noncompetitive or protectionist ploys were strictly prohibited while selecting a procurement company for a loan project. Within any given calendar year, any midlevel company that wins more than 50 percent of that year's loan-project bids may be considered to have “monopolistic inclinations.” Similarly, any local company that wins more than 60 percent of a year's bids in a province, autonomous region, municipality directly under the central government, or in a city with independent planning where the bidding company happens to be located, will be regarded by authorities as having “monopolistic inclinations.” The MOF will regularly examine bids put out for loan projects and promises to restrict procurement companies with “monopolistic inclinations.”

On June 29, 2002, China's National People's Congress promulgated the Government Procurement Law (the "GP Law"), which came into effect on January 1, 2003. GP Law covers the procurement of goods, construction projects and services by State organs, public institutions, social organizations at all levels, or procurement with funds raised by government appropriations, including budgetary and ultra-budgetary funds. Open bidding is established as the primary procurement method under the GP Law. Alternative methods such as bidding by invitation, price quotation and sole-source procurement are permitted only in special circumstances. Each level of government at the municipal level or above is required to establish an independent procurement agency to administer procurement of all supplies included in the Centralized Procurement Catalogue. The GP Law requires procurement of domestic
goods, services or construction projects. There are limited exceptions when a particular supply is not available, or cannot be procured on reasonable terms, on the domestic market. Domestic enterprises include both indigenous Chinese enterprises and foreign-invested enterprises (FIEs) in China.

Another relevant law for public procurement is the Tendering and Bidding Law issued in January 2001, which covers national public sector procurement for large public works that fall outside operational budgets and use a public tendering and bidding process.

Achievements

Although government procurement is quite new in China, it is growing very fast, especially with the promulgation of GP Law. In 2003, the total government procurement has substantially increased from only RMB 3.1 billion in 1998 to RMB 165.94 billion, which represented 1.4 percent of China's gross domestic product (GDP) and 6.7 percent of government expenditure. 15.8 percent of the total government procurement was carried out by the central government, and the rest 84.2 percent by local governments. In terms of procurement amount, goods, works and services accounted for 54.4%, 39.3% and 6.3% respectively of government procurement. In goods procurement, computers, cars and photocopiers were the major items. In terms of regional market, Guangdong, Jiangsu, Fujian, Sichuan, Shanghai, Shandong and Zhejiang are the seven provinces and municipalities where the government procurement market exceeded RMB 80 billion. Their combined procurement amount stood at RMB 68.52 billion, representing 49.1% of all local government procurements. In terms of procurement methods, open bidding, bidding by invitation, competitive negotiation, price quotation and sole-source procurement accounted for 57.2%, 13.4%, 9.3%, 14.4% and 5.7% respectively of government procurement. The implementation of government procurement regulations has already delivered some success. Every year the government saves about 11 percent of procurement capital. In 2003, compared with the original budget, the total amount of capital saved was RMB 19.66 billion yuan (or 10.6 percent).

Figure 2. Government Procurement 1998-2003

Government Procurement 1998 - 2003 (billion)

E-GOVERNMENT PROCUREMENT

A clear and efficient government procurement process is fundamental for socio-economic development. Transparent, impartial and understandable procedures can help enhance national welfare, by
restricting corruption and rent-seeking behaviour. It can also improve competence and effectiveness through the efficient allocation of resources and bids to competent tenders. Stable institutions and good governance are key features of a well functioning state. Transparency in the rules and actions of the procuring authorities is therefore essential. In addition, the technical improvement in procurement methods, like online bidding and reverse auction can also help to improve the transparency for government procurement.

According to Neef (2001), there are three types of e-procurement:

- Buy-side desktop requisitioning – the employees, themselves, through their desktops and using the corporate intranet and its link with the Internet, undertake on-line purchase, complying with the company’s buying routines and procedures;
- Buy-side centralized procurement management – purchasing managers (for instance), on behalf of the company, control the whole procurement process, analyzing transaction data and undertaking the management of the suppliers;
- Sell-side applications – solutions developed by potential suppliers to help them negotiate their products and services on the web.

The E-Procurement solution adopted by the Chinese government is based on the buy-side centralized procurement management model.

**Current Status**

According to a survey conducted by Asian Development Bank in 2002, China has achieved significant progress in developing a modern government procurement system and is moving to an e-GP environment. The Chinese government established key agencies to be in charge of procurement, promulgated base legislation, and established web-based e-procurement systems that allow the advertising of information, policies and procedures and the electronic download of tender documents. The State Development and Planning Commission, which is named State Development and Reform Commission now, appointed a public procurement website along with three newspapers as the official media for posting public tender notices on July 1st of 2000. The Ministry of Finance has authorized 37 provincial and municipal websites to carry out public procurement, and all of them could be connected from the website of China Government Procurement (http://www.ccgp.gov.cn/). All these websites register more than 100 tendering notices daily. Most of them provide the services of:

- publishing public tendering opportunities
- tender documents download and submission
- supplier registration.
- tracking the progress of a tender
- displaying procurement laws, regulations and procedures
- award of tenders, including information on price
- some project management facility
- random selection of evaluation experts

However, most websites do not have advanced features such as electronic tender lodgment, push facilities (inform suppliers of specific tender opportunities), and integrated tender management facilities.

**Cases**

Although most Chinese government procurement websites are still at the phase of Publishing and Interaction, some of them have already advanced to the phase of transaction like online bidding or even
newly developed online reverse auctions. Auctions are an age-old mercantile practice, namely the public sale of objects to whosoever places the highest bid. Generally speaking, there are two auction models. In the U.S. model, which is used when sellers offer many identical items simultaneously, offers are increasing exponentially and products are sold to the highest bidders. In the Dutch auction, the prices drop until buyers make an offer. The reverse auction is based on the Dutch model for acquisition of goods and services, whereby the buyer defines a base price, a maximum duration for the auction is established and companies place their bids via the web until the auction is finalized.

China’s first B2G (business to government) website was established in mid-1998 in Xiamen, where government purchases began to be processed online. By 2001 the total purchase amount of the Xiamen government site had reached RMB382 million. The site works as a reverse auction house – the government puts what they intend to purchase online, and companies then bid to become the supplier.

The procurement of medicine by non-profit health institutions has been conducted electrically in China. The procurement notices are released on the website; the bidding documents can be downloaded and submitted; the prices are hidden online; the governors can also approve the projects on the Internet. This kind of procurement reduces the intermediaries and cuts down the prices of drugs. Emedchina (http://www.emedchina.net) and Eahead (http://www.eahead.com.cn) are the two most famous website carrying out online bidding for the public procurement of medicine. On Aug 25, 2004, Beijing Municipal Health Bureau purchased medicine through online bidding for around two hundred Beijing non-government hospitals. On the date of bidding, none of the suppliers appeared at the spot. Instead, they bid through the internet at their home offices.

On April 22, 2004, Chengdu Public Transport Group purchased 450 public buses worth RMB 0.11 billion through online reverse auction. The tenderer put the base prices online while the eight bus suppliers competed for the lowest prices online at their home office. During the reverse auction, bidders didn’t know each other. What they knew was the prices on the screen offered by different suppliers. The reverse auction lasted only three hours, which saved a lot of time, compared to the traditional purchase method.

Benefits of e-Government Procurement

Although e-government procurement is still at its early stage in China, some government officers have realized the potential of combining e-commerce and public procurement. Generally speaking, e-GP has the following advantages:

- Reducing product acquisition costs for the public sector. With intense price competitions among bidders, the procurement cost could be cut down by around 10 - 20 percent.
- Reducing the number of intermediaries, as the system makes it possible for the producers to sell directly to the Government;
- Reducing transaction time. This is clear in the Chengdu case where the whole transaction lasted only three hours.
- Increasing the number of suppliers as technological innovation removes geographical limitations by making the process available to the entire country via the internet and thus leading to lower acquisition prices for the auctioneer, in the case of the online reverse auction.
- Increasing the transparency of the procedure, as e-GP guarantees access to information and real-time follow-up to all citizens with all data available on the Web.

Challenges

According to the survey by the Asian Development Bank, China has established the structural aspects of a comprehensive and supported procurement process that can serve as a basis for the transition to e-GP. However, the development of e-GP still faces several challenges:
• In terms of leadership, there are well-established government agencies at both national and provincial levels to lead the development of government procurement and the transition to e-GP. However, at the national level, MOF, SDPC and MOFTEC appear to have an overlap of functions. There is a need to develop an integrated strategy on e-procurement.

• In terms of legislation, China has made significant progress in bringing government procurement under a developing legislative and legal framework, but there is a need for uniform, comprehensive documentation of regulations across the country.

• In terms of technology and infrastructure, limited supplier and buyer access to technology and infrastructure in addition to the restricted access and the need to pay for membership restrict the involvement of small and median sized enterprises in western and rural areas.

CONCLUSION

E-government is developing steadily in China as the government acknowledges the strength of information technology’s contribution to the development of economy and society. Although the efficiency and attractiveness of government websites are still much lower than those of corporate and commercial websites in China, the fast growing of the government investment in Government Online Project and Golden Projects contributes considerably to the growth of China’s IT industry. Since the Chinese government began to reform its purchasing behavior, the government procurement market has been growing outstandingly in the last few years. Having recognized the potentials of e-commerce, the government has initiated the trial of applying information technology to the procurement. Although there are quite a few challenges in face of China’s future e-GP, the unique advantages offered by online bidding and reverse auction would help to establish government procurement as a transparent and efficient process.

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Research on Agreements on Right to Privacy of Major Websites of China and Countermeasures for Government Regulation

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The Internet has already become an important part of people's lives, especially for urban communities and teenagers. While surfing on the Net, people sometimes submit personal information such as name, address, age, sex, income, e-mail and telephone number to those websites that provide relevant services. The collecting, using and disclosing of the information may influence the citizen's individual interests and the right to privacy. The right to privacy of the network refers to “the personality right which the citizen enjoys private life on the Net peacefully, and private information is protected in accordance with the law; and is not invaded, illegally, known, utilized, disclosed by other people; forbids disclosing some sensitive information including picture and calumny of individual on the Net is forbidden as well.”

At present, some major websites of China have made the agreements on right to privacy (or standard form contracts), but generally, all these websites have difficulty in protecting citizens' right to privacy. The government sector should carry out research on how to standardize websites’ agreements on right to privacy and protect the citizen's individual privacy efficiently and adopt corresponding countermeasures, including establishing related law and Internet regulation systems. This paper analyses some aspects as follows: 1. the current situation of agreements on right to privacy of major websites of China; 2. problems and reasons of agreements on right to privacy of websites; 3. the legal provisions on protecting the right to privacy of websites abroad; and 4. countermeasures in solving the problems of agreements on privacy of websites in China.

THE CURRENT SITUATION OF THE RIGHT TO PRIVACY OF MAJOR WEBSITES OF CHINA

The number of websites of China is increasing dramatically. This paper randomly chose 50 domestic websites as our research sample. Then we chose 20 Chinese websites to analyze agreements on privacy. Our data, collected from October 21st to 24th of 2003, are the agreements on right to privacy clauses of those websites showing on the Net during this period.

Agreements on Right to Privacy of Websites of China

Nowadays, 64% of websites of China have their own agreements on right to privacy. Some of these websites (56%) have a separate privacy agreement, while others place privacy clauses in general service agreements.

There are three ways of informing the position of agreements. First, 44% of the websites that have privacy agreements directly list the linkpage of privacy agreements on its homepage, such as www.sohu.com, www.sina.com.cn, www.alibaba.com.cn, www.tom.com, www.yesky.com, www.Chinahr.com and www.sinoexam.cn. Second, another 31% websites display agreements only after users log on to the mainpage. For example, after logging on www.bjyouth.com, one would find Term 3 of the service agreements about user’s privacy. Third, in the rest of the 25%, agreements on right to
privacy is set in such a way that viewers will have difficulty in finding them. Entering the homepage of www.pconline.com.cn, one would not find any terms directly about right to privacy, but after clicking the linkpage “about us” on that homepage, then clicking “use terms” linkpage, one would see the relevant terms of right to privacy.

**Content of Agreements on Right to Privacy of Websites**
The content of agreements on right to privacy of websites embodies the protection condition to netizens’ right to privacy. We analyze different situations including netizens’ right to privacy in the following aspects (the percentages in the parentheses denote the proportion of sample websites that do include the item in their agreement):

- Whether it informs netizens of enjoying the right to privacy or not, (100%)
- Whether it informs netizens of the concrete content of right to privacy or not, (30%)
- Whether it stipulates the website’s responsibilities to protect netizens’ right to privacy or not, (40%)
- Whether it diminishes the website’s responsibilities intendedly or not, (70%)
- Whether it aggravates netizens’ responsibilities intendedly or not, (70%)
- Whether websites offer personal information to a third party or not, (70%)
- Whether websites notify netizens about offering information to third parties and get consent of netizens or not, (50%)
- Whether it stipulate website’s responsibilities of agreement infringement or not. (5%, only one website)

**PROBLEMS WITH AGREEMENTS ON RIGHT TO PRIVACY OF WEBSITES**

*Problems of agreements on right to privacy of major websites of China*

- Position of the privacy agreements is not easily visible to users. Only less than half of websites have separate privacy agreements.
- Content of right to privacy agreements is too simple. Most websites do not inform users of their rights and websites’ responsibilities in a complete manner.
- The wording of agreements is not clear enough.

Most websites have such a common term in privacy agreements: “If the disclosure of the personal information may prevent user and website from loss, we may not request user’s consent.” It seems that rights to privacy of users could be infringed at any time to protect the interests of website.

*Reasons for the Problems of Right to Privacy*

The problems mentioned above have existed since the Internet appeared in China. However, with the fast development of Internet technology, the protection of civil right to privacy is even more urgent. We believe three reasons account for such urgency:

- Chinese legislation of protecting right to privacy lags behind. So far, the privacy law is still not well developed. There is no direct mention of privacy protection in the “constitutional law of the People's Republic of China,” or in the current “general principles of civil law.” Therefore, a legal basis for Internet governance is lacking. The government department that supervises the Internet has not set unified standards.
- Citizens do not have a sense of self-protection because of lack of knowledge of privacy rights.
There are several characteristics of the infringement of civil right to privacy, which are recessive and slow. Because of the decentralization and uncertainty of networks, this infringement online would hurt netizens much more.

EXPERIENCE FROM ABROAD

The developed countries are advanced in protecting the right to privacy. These countries have accumulated certain experiences that deserve studying.

U.S.A.

On December 31st 1974, “the privacy act” was passed after congress was concerned with the potential negative impact on privacy rights that could arise from the government’s increasing use of computers to access, collect, and store personal data.

The act requires the agency or department to do the following:

- Obtain the written consent of the individual unless the purpose of the disclosure is consistent with that for which the records are being retained.
- Furnish copies of the records to the individual upon request.
- Allow the individual to correct any misinformation contained in the records.
- Make a reasonable effort to inform the individual that his or her records have been disclosed.
- Guarantee information to use for certain reliable purposes, and prevent the violation of information.

The overall policy guide of protecting Internet right to privacy is the summary report “Privacy and National Information Infrastructure: Providing and Using Principles of Personal Data” which was made by a privacy working group of the information policy committee of the United States in 1995. The report proposed three important principles for protecting right to privacy on the Net. It defined clearly the concepts of personal information collecting, handling, storing and reusing. The US government pushed for private sector self-regulation of the Internet to protect right to privacy. The following are the principles of self-regulation:

- Constructive guidance of private sector.
- Network privacy attestation plan.
- Protect technology.

European Union (EU)

Compared with the U.S., the EU favored a mixed public-private regime with a well-established role for state authorities. Furthermore, it proposed a multilateral international framework for the transformation of the Internet’s governance structure. In October 1995, the EU passed “The Directive On The Protection of Individuals With Regard To The Processing Of Personal Data And The Free Movement of Such Data.” The directive contained protecting content of personal data (as well as network personal data) handling, collection, storing, revision, usage and destruction. The following are some of the requirements of data controllers in the directive:

- Handling personal data must take reasonable steps to ensure its security and integrity. Corporations and governments are forbidden from virtually using any personal records for any purpose without the netizen’s consent.
- For sensitive information such as medical conditions, racial or ethnic origin, political opinions, etc., consumers must be given an opportunity to choose to have their information
disclosed or not disclosed to a third party.

- An organization must inform individuals about the purposes for which it collects and uses information about them, how to contact the organization and the types of third parties to which it discloses the information. Individuals must have access to their personal information and have the ability to correct it.
- In October 1998, the “EU’s Directive of Privacy Protection” came into effect.

It proposed the following requirements:

- Supposing that personal data can only be handled under a specific environment, data holders should ensure the operation to satisfy requirements.
- Data controllers must adopt safety precautions.
- Data controllers must collaborate with the highest authority in countries before any automatic handling must be done. Member countries of the UN must preserve the public record of operation.
- When collecting data, the related individual has a right to know how his/her information will be handled.
- Personal data on EU citizens may only be transferred to countries that adopt these rules or are deemed to provide adequate protection for the data.

Japan

“Policies of Protecting Right to Privacy to Handle Personal Data” passed in September 1982 in Japan. It proposed some basic principles for law making:

- Restrict collecting. The content of information should be limited in the essential range, and the collecting means must be fair and legal.
- Restrict using data. The use of personal data should be limited in the range of purpose for collecting.
- Individual participation. Government should take measures to ensure that individuals know the existence and content about their own data, and individuals should have the right to correct the data if necessary.
- Correct management. Personal information should be managed with correct and new methods.
- Definite responsibility. There should be definite regulation for protect private life.

Different approaches to data privacy and protection are found in the U.S. and EU – an emphasis on self-regulation in the former versus strict legal requirements in the latter. They both have advantages and disadvantages. The EU’s approaches could exert a negative influence on the development of networks, and the private sector self-regulation of right to privacy protection of the U.S. was harmful to personal right. That is to say, Japanese approaches are a kind of improved system to learn.

Chinese Countermeasures in Solving the Problems of Privacy Agreements of Websites

In the information society, it is impractical to let the government sector manage all social affairs. We consider that the duty of government sector is to macro-control and guide indirectly.

For the current status of our country (China), there is no applicable law about Internet right to privacy, nor administrative remedy about it. It is necessary for legal and administrative regulations to improve their countermeasures. This paper makes the following proposals:
Countermeasures of Legal Regulation

The legislative sector should establish regulations concerning citizen’s right to privacy. It should revise the current “constitutional law,” “general principles of civil law,” “administrative law” and “legislative law” and add some terms about right to privacy.

It should stipulate regulation and power of government on the website service agreements including the supervision terms of right to privacy. It should mix private sector self-regulation with public sector regulation and make an independent law of privacy right. Gradually, it should set up a dynamic Internet right to privacy protecting system. On one hand, judges and arbitration organizations could establish some principled regulations through precedents. On the other hand, the private sector could establish self-regulation standards that are easy to understand, execute and be monitored. It is insufficient to emphasize self-regulation without the unified systematic procedure in accordance with the situation of websites.

Supplements to the law of private right: first, the period of collecting Internet evidence of infringement should be longer, which is good for the specific and overall collection of the net information. It may also set up the court online to try Internet infringement cases and help to solve the disputes of the network on time. Second, regarding the infringement of personal right to privacy in websites, it should infer that users assume ‘principle of fault’ liability. Compensation for moral damage and reputation loss would be the most important remedy of Internet right to privacy.

Countermeasures of Administrative Regulation

- Set up a specialized arbitrary agency with public trust which aims at protecting privacy right; regulate the scope of protection and improve Internet service. It could coordinate the interests of network enterprises and the netizen.
- Improve the mechanism of Internet governance and set up a whole set of the network regulatory system to make cyberspace fully play its positive role.
- Enhance the publicity of privacy right, and let citizens be familiar with the privacy agreements of websites.
- Encourage websites to participate in the activities of self-regulation, and popularize the computer software of right to privacy protection in order to meet the needs of the public.
- Pay attention to the flexibility and fairness of the government regulating measures for privacy protection. It is essential to keep efficiency, but when comparing with safeguard citizens’ rights, fairness should be considered first.

In view of ensuring the healthy development of a Net economy and realizing the macro control of the country, the right to privacy should be protected indirectly with the supplement of the direct protection. In another words, the government regulation which combines the law and self-regulation principles with the network technology providing both chance and challenge should be carried out. Moreover, the regulation of net privacy is in fact the reflection of the government protection of individual privacy in the real world. Therefore, the constitution and improvement of individual behavior standard that accord with the ethics will definitely influence and even improve the behavior on the Net.

FOOTNOTES


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REFERENCES


Challenges Brought to Administrative Organizations and Administrative Organic Laws by E-Government

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Along with the high-speed development and extensive use of information science and technology, the information age is being improved gradually. In recent years, the e-government construction has been growing rapidly in developed countries. Presently, academic communities are conducting in-depth studies of e-government, and the implementation of e-government will lead to a revolutionary change of the administrative management and public service in China. Meanwhile, we also notice that e-government poses serious challenges to administrative organizations and administrative organic laws in China.

DEFINITION OF E-GOVERNMENT AND RELEVANT CONTENTS

The information revolution is dominated by the Internet. With the maturity and extensive use of the Internet, the computer technology revolution, communication technology revolution and digitalization revolution are integrated to make the global information transfer and real-time information sharing a reality. The development of a network economy has broken the traditional division of professions and labors, and government regulation may lead to unfair market competition to a certain degree instead of playing the role of “maintaining public interests” or “boosting fair competition.” Moreover, the Internet economy also has an impact on the internal information system construction of government agencies, so governments of various countries in the world have presented the concept of e-government in succession to meet the demand of the age. 22

In the 1970’s, the idea of Office Automation emerged, which means to process internal office services by making use of information and communication technology. In the 1980s, MIS (management information system) was emphasized, which refers to the information processing system established to meet the demand of decision making by managers and efficient function implementation. After the 1990’s, e-government was presented in succession along with Internet development and its application in governmental administration. 23 Starting from this century, the developed countries have quickened the steps of applying new information technologies into governmental administration, and to succeed in the information field has become the strategic goal of different countries for realizing their great-leap-forward development. E-government has become a key factor concerning the competitiveness of a country or region in the world, and an irreversible world trend. According to a survey conducted by the United Nations Educational Scientific and Cultural Organization (UNESCO) in 62 countries (23 developed countries and 39 developing countries) in 2000, 89% of them were developing e-government, and e-government ranked the first among the five application fields of information highway advocated actively by various countries. 24

So, how can we define e-government? Scholars have presented various viewpoints. According to Professor Zhang Chengfu, e-government refers to providing automated information and services to

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22 Presently, China’s scholars have different opinions on this issue. Some think that it should be called e-Government to match the e-Commerce, while others think that it should be called the Network Access by Government.
government agencies, enterprises, social organizations and citizens at the right time and site, and in the right mode via various information service facilities (telephone, network, public computer stations, etc) by efficiently making use of modern information and communication technologies. The purpose is to build a reactive, effective, responsible and high-quality government. The essence of e-government is building a virtual government. In a global survey conducted by the Public Economy Management Office of the United Nations and the American Society of Public Administration, e-government is defined roughly as follows: a government that makes use of up-to-date information and communication technologies from simple fax to wireless handheld equipment for current management, or a permanent organization promised by the government that improves the relationship between citizens and public organizations through promoting cost-effectiveness, valid services, information and knowledge. The so-called e-government is a new form of government that is built through information technology application. From the perspective of administrative law, it is clear that e-government is a form of government that makes use of the developing information and communication technologies to update the mode of public power practice in order to protect the legitimate rights of citizens and organizations, and to practice administrative rights and conduct internal governmental administration effectively. The most significant difference between e-government and the traditional government is whether the new outcomes of modern technological advances are utilized fully and whether they are applied to the practice of governmental administration and execution of law.

**CHALLENGES BROUGHT TO ADMINISTRATIVE ORGANIZATIONS BY E-GOVERNMENT**

As early as in the 1970’s, Simon predicted that the appearance of the computer and the subsequent information system would exert a subtle influence on public administration. It is evident that the fields involved with administrative rights have changed greatly with the information technologies being applied to governmental administration and decision making. Just like Shoshana Zuboff argued, “along with the information integration with new science and technologies beyond time and space, the managers and workers have overcome the narrow concept of functions and created new functions in order to promote the added value in an environment with rich data. With the skill level of organizations becoming similar, and the differences between levels becoming obscure, the authority depends on the proportion between knowledge and responsibility instead of the hierarchy rules in traditional organizations.” Indeed, the application of information technologies have strengthened the problem-solving capability of administrative personnel, weakened the general control function of conventional management and changed the ways of obtaining information and the decision-making pattern of leadership. Regarding the structure of administrative organizations, e-government has brought along huge impacts to the traditional bureaucracy. The bureaucracy advocated by Weber once boosted the industrialization of developed countries in the West, because the functions of bureaucracy are fit for the traditional industrial technologies and the relatively stable social structure; namely, a relatively closed environment, well-defined and mutually-isolated functions and division of labors, a centralized power structure, strict hierarchy, multiple management levels, centralized power of decision making, complicated control and poor coordination. With the appearance of e-government and the differentiation of the social structure, the traditional administrative structure and pattern became a barrier to development, and the intrinsic defects of bureaucracy are distinct, which mainly appear as: inelasticity of organizations and incapability of environmental adaptation; low administrative efficiency due to hierarchy; no standard for the size of organizations; officials and clerks being out of proportion.

disharmony among functional departments; concentrated power and no democratic participation; officials being responsible for the superiors and neglecting the public opinion; and common seizing powers and extending powers.  

With the extensive use of modern science and technologies into various social fields and the appearance of e-government, many schools of thoughts in the Western public administration field have appeared from the middle period of the last century. Concerning the governmental administration pattern and the reconstruction of governmental organizations, the Limited Government Theory, Public Choice Theory and New Public Administration Theory became the mainstream of administrative reform. With adequate theoretical preparation and the extensive use of electronic technologies, the governmental reconstruction became the new tendency in the west from the 1990's. Governmental reconstruction is the reconstruction of governmental administration, which refers not only to organizational simplification and reconstruction, but also large-scale reform of the logos, principles, structure and actions of the governmental administration. To sum up, there are three major themes for governmental reconstruction in the West, namely the repositioning of government, reconstruction of organizational structures of government, and reconstruction of administrative flow. The objective of the organizational structure reconstruction is to build a flat and efficient organization structure with definite authority and responsibility, while the reconstruction of the administrative flow is to legalize, rationalize and simplify the administrative flow by applying science and technologies.

In this way, the traditional administrative organization structure will be challenged, as it is inadaptable to the requirements of electronic information technologies and the governmental reconstruction. The traditional administrative organization is of the line function structure, which has some advantages, but the disadvantages are also evident, such as informational monopoly and interception, loss and distortion of administrative information during the course of transfer, monopoly of administrative information, incomplete administrative information, and single channel of administration information collection. To be concrete, the administrative organizations under e-Government will be provided with the following characteristics:

**Openness and Participation**

It cannot be denied that any administrative organization is constructed upon an assumption of the human nature. The traditional administrative organizations are of a management-type or control-type structure, which is built upon the assumption of “evil human nature,” regarding administrative personnel as economic men. Therefore, in order to enhance the efficiency of administrative organizations, the actions of the members must be controlled to keep them in line with the goal of organizations and to make the administrative organizations represent the public interests. The practice of administrative system reform in various nations has proved that this traditional organizational structure is out-dated. What is required by the e-government dominated by information technologies is the adequate respect to and stimulation of people, the free possession of information and information mobilization. Therefore, administrative organizations should be built upon the assumption of “good human nature,” with the people being regarded as social men, the administrative organizations being changed, and the enclosed and management type changed to the open and participative type.

With the e-government, a good relationship of communication and cooperation is established among governmental departments and executive systems. Therefore, the reconstruction of administrative organizations should adapt to such changes.

**Flatness and Flexibility**

31 This advantage appears as single structure, simple administrative information relationship and consistency with the authority level of organizations.
The development and improvement of e-government has a strong impact on the original pattern of administrative organizations, wherein one of the most significant influences is that interlinks will be reduced greatly, the hierarchy of organizational management will be simplified, the management scope will be extended, the pyramid-type structure will be changed and a flat structure will be established. In traditional administrative organizations, the primary function of the middle layers is transfer of information, namely integrating and amplifying the signals from organizations and transmitting them to others, while the management levels should be simplified and the scope be extended in order to quicken the transfer of knowledge and information under e-government. Peter F. Druck pointed out in the “Management of New-Style Organizations” published in the “Harvard Business Review” (1988) that the management levels of typical large enterprises will be reduced by more than a half, and the managerial personnel will be reduced by more than two thirds 20 years later as compared with the then-present status. This is also applicable to administrative organizations.

This networked and flat administrative organization structure is flexible. While the middle management levels in a traditional structure affect the efficient and fast information flow and are slow in responding to the external environment, those of the flat administrative organizations can overcome such disadvantages and achieve high performance and flexibility. It can adjust the administrative organization structure in time under the guidance of the market with citizens in the core in order to satisfy the demand of clients.

**Technicality and Simplicity**

In the information society, the normal operation of the e-government fully depends on science and technologies, and the information technologies lay the foundation for the reform of administrative organizations. This is mainly evident in that e-government cannot get away from computer-aided design and manufacturing, electronic communications network (ECN), information data base systems, cross organization information systems and executive decision information systems, which are quite different from the traditional administrative organizations of bureaucracy. This decides that the communications and exchanges between administrative organizations, between administrative personnel, and between administrative organizations and external environments mainly depend on information technologies, and their relations become close and transparent due to science and technologies.

With the leading role of information technologies, the administrative organizations become concise and simple, and it is represented such that the flat and flexible administrative organizations get rid of the Bureaucracy, the citizen-centered service system overcomes the traditional officialism, and the "One-Stop Service", 24-hour service and seamless and comprehensive quality management make administrative organizations closer and simpler.

**CHALLENGES BROUGHT ALONG TO THE ADMINISTRATIVE ORGANIC LAWS BY THE E-GOVERNMENT**

Presently there is no unified statement of administrative organic laws in the academic community. To sum up, the following contents are included: first, the basic administrative organization system (administrative subject system); second, setup and allocation of administrative rights; third, setup of the central administrative organizations; fourth, setup of local administrative organizations; fifth, other administrative organic laws and regulations. In the author’s opinion, the administrative organic laws refer to the legal norm on the establishment, cancellation, composition, authority and relationship of administrative organizations. Based on the foregoing recognition, the current organic laws in China are

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33 Quote from Li, Chuanjun. 2000. *Knowledge Management and Innovation of Administrative Organizations*. Public Administration, V.5 released by the Books and Newspaper Data Center of China Renmin University.


mainly composed of the following parts: regulations on administrative organizations and administrative rights in the Constitution, “Organic Law of the People’s Republic of China on the State Council,” “Organic Law of the People's Republic of China on the People's Congresses and People's Governments at All Local Levels,” regulation on administrative organizations and administrative rights in individual laws, and legal documents regulating administrative organizations and administrative rights. I fully agree with some Chinese scholars on the evaluation of the current administrative organic laws: on the whole, the present administrative organic laws regulate the administrative rights, administrative organizations, and administrative organs from the angle of management instead of reasonableness. Many legal matters are not regulated, and the available regulations lack the spirit of law government, and some regulations are irrational and not operable.

The value orientation of modern e-government should be referred to during the establishment and modification of administrative organic laws. The organic laws should be established before corresponding organizations are set up. Some administrative organizations in China were set up without any corresponding organic law for a variety of reasons. Our administrative organic laws should be more forward looking in terms of the setup, modification and cancellation of administrative organizations in the future. Regarding the goal setting of administrative organic laws, we should consider fully the outcomes of the Science of Public Administration, especially that of e-government, besides considering the existing laws and regulations. Since the administrative organizations under e-government have undergone great changes, the administrative organic laws should also advance with times and consider fully the influence brought along to administrative organizations by e-government.

**Regarding the selection of legislation patterns, the characteristics of administrative organizations under e-government should be taken into full account.**

With the development and improvement of the e-government, the structure of administrative organizations is changing from the former type of control, management and centralization to one of participation, service and dispersion, and such laws should be fully respected during our legislation. To be concrete, the following laws should be considered during the legislation of administrative organic laws, namely the high performance, openness, interaction, decentralization, service, citizen-centered and executive power division of the e-government. In this way, we can accurately define the tenet, principles and spirit of the legislation of administrative organic laws when establishing the general provisions in order to adapt to the changes brought along by the information age, knowledge economy and globalization.

**Regarding the setting of levels of administrative organizations, the flatness and decentralization should be highlighted in the administrative organic laws.**

The flatness refers to fewer interlinks and fewer levels of administrative organization as mentioned above. There are mainly four levels of administrative organizations in China, namely the provinces, autonomous regions and municipalities directly under the Central Government; cities and autonomous prefectures divided into districts, counties, autonomous counties and cities not divided into districts; and townships, nationality townships and towns. The levels could be reduced along with the further development of e-government. For instance, some local county or township governments can be eliminated, and unnecessary links can be reduced in order to provide the policies and services to citizens and organizations directly? Within administrative organizations, the unnecessary links should also be reduced, for instance, the internal layers (department, bureau, section, office, etc) can be integrated and

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36 The present administrative organic laws in China, such as the *Organic Law of the People's Republic of China on the State Council* and the *Organic Law of the People's Republic of China on the People's Congresses and People's Governments at All Local Levels*, do not regulate the objective, principles, etc, that should be contained in the general provisions. While actually, the objective and principles of the legislation can't be avoided for any law or regulation.
reduced in order to make leaders face the public directly and to take full advantage of the modern information technologies. The so-called decentralization of authority refers to the decentralization between government and society, between the central government and local government, between internal layers of administrative organizations and between leaders and common civil servants in organizations. The decentralization of authority mentioned here mainly relates to the devolution of the operating power instead of the decision making power to lower levels in order to make each organization and individual take up its own responsibilities and to mobilize the independence, enthusiasm and creativity of each organization and individual.

**The development trend of limited government should be followed with regards to the scale of administrative organizations.**

With respect to the comprehensive government, the limited government is a concept with a rich connotation, and it mainly relates to the government scale and government functions here. The scale and scope of the government or administrative organizations is a common problem faced by nations of the world, and both developed countries and developing countries have realized the challenge of an oversized government, and a limited and efficient government is a universal objective. In particular, since the beginning of this century, the developed countries have begun to invest in the development of e-government in order to achieve this goal, and the extensive use of information technologies has laid a solid foundation for that. It is hardly too much to say that the e-government or virtual government is just fulfilling the assumption of limited government and “small government, great society.” Therefore, it is my opinion that the research results of other subjects, such as sociology, statistics, mathematics, etc, should be introduced into administrative organic laws. The potential of e-government to limit the size of government should be considered fully. For instance, in the provincial people's government, there may be 1 governor, 3-5 deputy governors, and 25-35 department-level administrative departments with less than 50 personnel each.

**Such concepts as the administrative subject, public juristic person, etc. should be added with regards to the setting of administrative subject types.**

With the development of information technologies and the establishment and improvement of e-government, the nature of knowledge and information as power is highlighted, as e-government has changed the centralized and hierarchical decision-making pattern, and it can adapt to the needs of the information society only by proper decentralization of the decision-making power at different levels inside or outside administrative organizations. Moreover, new power centers that are measured with knowledge and information are being formed, and the expert groups or social organizations that have controlled the information and grasped the up-to-date technologies will become power centers. The government authority has also been changed and a decentralized and diversified democracy is being formed. Meanwhile, e-government has changed the relationship between government and citizens. On one hand, the development of e-government boosts the reconstruction and innovation of administrative flow; on the other hand, the network technologies makes the two-way information flow between government and citizens possible, which changes the traditional pattern of information flow and challenges the absolute monopoly of information and dominant position of the government. The government ceases to be the only and biggest information monopolist, which provides conditions for the decentralization of executive powers to NGOs. In our country, the social intermediary organs, schools

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37 The present writer will describe the theoretical basis and practical operation in other papers in detail. Only the viewpoint or assumption is given due to the limited length and limited emphasis of the article.

38 There are many indices to measure the scale of government, such as the quantity index of public functionary, the quantity index of administrative organizations, the financial objective system and the official business quota system.

and authorized state-owned firms which appeared in recent years have been exercising the administrative powers in practice, and such organizations will play a greater role with the development and improvement of e-government. Therefore, it seems to us that the type of administrative subject should be set in the administrative organic laws, which should not be restricted to administrative organs, and other types of administrative subjects can also be added, such as institutions of higher learning, state-owned corporations and other social intermediary organs.
Enhancing e-Democracy via Fiscal Transparency:
A Discussion Based on China’s Experience

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INTRODUCTION

E-government, the use of information and communication technologies (ICT) to transfer government by making it more accessible, effective and accountable, is not an end in itself, but a means to facilitate e-democracy – a new fashion of democracy of the modern information age, in which ICT empowers human society to accelerate, improve and ultimately realize the Elysium of an unprecedented democratic society.

From theoretical and practical perspectives, democracy is an evolving concept; the word derived from two Greek words demos (“the people”) and kratia (“rule”). During the 6th century B.C., the Greek city-state was the first democratic form of government. In Athens, all citizens, whether rich or poor, participated fully in government activities. Hereby, Webster’s dictionary defined democracy as “a government in which the supreme power is vested in the people and exercised by them directly or indirectly through a system of representation.” Democracy is thus distinct from governments controlled by a particular social class or group (oligarchy) or a single person (dictatorship) and monarchy. From the time of ancient Greece, democracy has attracted support throughout history, because it represents an ideal of justice as well as a perfect form of government, with its philosophy that freedom and equality are sacred and that democratic participation in ruling enhances human dignity. Nowadays, putting an “e” in front of democracy does not mean to draw any substance out of democracy, but to enhance and perfect it by a more powerful engine. Government, equipped with digital technology today, and presumed to function as a powerful engine, should speed up the process of e-democracy with big strides.

However, if we remember that Thomas Hobbes compared government to Leviathan in the 17th century, that James M. Buchanan, Gordon Tullock and other modern public choice scholars explain how government “cures” often cause more harm than good, and how interest groups seek favors from government at enormous costs to society etc., we should keep in mind the words of Ronald Reagan in his presidential inauguration speech that government is not a solution to our problem, but government is the problem. E-government, by no means a panacea, is not a royal road smoothly leading to e-democracy. Great ancient philosopher Aristotle convincingly argued that any abuse of power can cause different kinds of governments, including democratic origin, to deteriorate into tyranny, oligarchy, and even inferior mob rule. By all appearances, government should be restricted, monitored and subject to the will of its people. Any malfeasance of government agencies, such as bribery, cronyism, embezzlement, extortion, fraud, and graft, should be punished severely according to state law. In the information age, what the digital revolution has imparted to people is the edge tool of public participation by which people can share information, disclose scandal, and radiate sunshine of e-democracy. Public finance is a great policy

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40 In his political treatise Leviathan (1651), the English philosopher Thomas Hobbes compares the state, with its innumerable competing members, to the largest of natural organisms-- the whale, or leviathan, one of the names of the primeval dragon subdued by Jehovah at the outset of creation. By this analogy Hobbes argued that the state, like the monster, requires a single controlling intelligence to direct its motion.

41 Aristotle distinguished three kinds of government: monarchies, aristocracies, and democracies, in his famous book Politics (335 BC). The differences among them chiefly concerned whether power was held by one, by a few, or by many. He also argued that the selfish abuse of power caused each type to become perverted, respectively, into tyranny, oligarchy, and a lower form of democracy characterized by mob rule. Monarchy tended to become tyrannical because it vested authority in a single ruler. Aristocracy, a government based on birth and privilege, in which the rulers governed for the good of the whole society, tended to become oligarchic as a consequence of restricting political power to a special social and economic class; only a few members of the class would have enough drive and ability to acquire the power to govern. The polity, likewise, would deteriorate into ochlocracy, or mob rule, if the citizens pursued only their selfish interests.
for a country; without sound public finance no sound government is possible. Consequently we argue
that the pivot to e-government and e-democracy is fiscal transparency, an undeniable fact that has been
corroborated and verified by the recent years’ experience in China.

This paper has five parts: Part Two dwells briefly on a far-reaching event in China – when the
government began to publish an audit report of central and local government via the e-government project
in 2003, a so called “audit storm” was stirred. The co-existence of fiscal transparency and government
accountability is the subject of Part Three. The possible consequences, or impact of open budget in
China, and the implication in which fiscal transparency could promote open government and e-democracy
are the main contents of Part Four. Concluding comments review the opportunities and challenges
entailed in the promotion and implementation of open government and e-democracy in China, and the
critical issue of whether the Chinese government has a strong volition to carry e-government and e-
democracy through.

E-GOVERNMENT PROJECT STIRS AUDIT STORM

The public finance sector has long been a notorious locus of government corruption since early
history of nation-states. Slavery or feudalistic monarchies took advantage of state treasures, usurped and
prioritized public money to augment benefits and preserve wealth for themselves and royal families;
malfeasant in bureaucracy competed with each other vigorously, stealing public money from state
treasuries. Comptroller or Audit Agency, although existing as some watchdog institution in many
dynasties, merely served the monarchies, so that fiscal transparency and government accountability were
limited only to one person, i.e. the king. The great Athenian democratic state pioneered the way to keep
public treasure and fiscal transparency under a nascent democracy of people’s representative regimes.
Ancient China, on the contrary, had no similar organization to authorize the public purse or keep fiscal
transparency to the people in spite of the fact that auditing theory and practice in China can be traced as
long as 3,000 years back in history.

Thus, we infer that exposure of the information of public revenue and expenditure, i.e. holding
fiscal transparency, is of great importance for good governance in China; further, it is necessary to reform
the Auditing system, since it is the Auditing Agency, rather than any other institution, that will expedite
the process of fiscal transparency in China. Enforcing China’s Auditing system will win the victory
against ascending corruption in the country.

Pursuant to the schedule of China's e-government framework drawn by the State Council, a so
called “Golden Auditing Project” was launched and kept improving since 2000 in tandem with other
parallel e-government projects covering the fields of public finance, tax collection, customs duty and
social security, etc. The “ Golden Auditing Project” aims to establish an auditing information system that
will ensure the effective monitoring and supervision of government revenue and expenditure, by a brand
new online auditing model. The National Audit Office of China (NAOC) according to the Constitution
and the Audit Law, has been implementing its duties and responsibilities as follows:

42 One such example in Chinese history is in Qianlong aged, Qing dynasty 18 century. Heshen, an emperor’s former bodyguard
had lulled Qianlong emperor’s trust, be authorized with various government affairs, Heshen availed himself of emperor’s trust
and lavish his arbitrary power to build up his personal fortune, the blind Qianlong emperor although he is regarded as a sage
emperor was let-alone Heshen's whatever behaviors. The extent of Heshen's corruption came to light immediately after Qianlong
died. Rough accounting, Heshen had accumulated gold bowls, silver bullion, land, and pawnshops. The total was valued at half
of what the state collected in revenues over a 20-year period. Heshen was forced to commit suicide, but the dynasty had difficulty
recovering from the damage. The story had been vividly represented by a series TV drama recent years.

43 Auditing system in China has a long history. A rudimentary form of auditing emerged as early as the Western Zhou Dynasty,
3,000 years ago; a royal audit court was set up in the Song Dynasty in 992 A.D. From then on, every dynasty established specific
institutions or offices in charge of monitoring state revenues and expenditures.

44 According to Chinese ancient tradition, golden color is noble and auspicious that the use of the color was restricted to some
kind of special occasions. Giving the name of “Golden projects” to e-government projects, indicating Chinese government has
attached great importance to the projects and taken strong commitment to carry them through.
Auditing budget implementation, final accounts, management and use of off-budget funds of departments at the corresponding levels and governments at lower levels;
Auditing assets, liabilities, profits and losses of state-owned monetary organizations and state-owned enterprises;
Auditing revenues and expenditures of state non-profit undertakings;
Auditing budget implementation and final accounts of state construction projects;
Auditing revenues and expenditures of projects with assistance or loans provided by international organizations or foreign governments;
Auditing state-owned enterprises which are vital to the national economy and people's livelihood, receive large entitlements from the government or suffer substantial losses, as well as other state-owned enterprises designated by the State Council or corresponding local people's governments;
Auditing special funds such as social security funds and agricultural development funds.

The NAOC is directly under the leadership of the Premier of the State Council, taking charge of government audits nationwide. Every year audit institutions at various levels shall present reports on the audit of budget implementation and other revenues and expenditures of the public finance to the standing committees of the people's congresses at their corresponding levels. Their audit scope should cover the following areas:

- Implementation of the central budget, other revenues and expenditures of public finance;
- Revenues and expenditures of central departments, non-profit undertakings and their subordinate units;
- Budget implementation and final accounts of provincial people's governments;
- Revenues and expenditures of the Central Bank, assets, liabilities, profits and losses of central monetary institutions;
- Revenues and expenditures or central government owned enterprises and enterprises where state assets dominate or predominate;
- Revenues and expenditures related to funds managed by relevant departments of the State Council;
- Revenues and expenditures of projects with loans and assistance from international organizations and foreign governments.

One measure to promote fiscal transparency by the NAOC is to release the full text of all auditing reports to the public through NAOC’s Internet website (http://www.audit.gov.cn). Before that, the NAOC only reported to the State Council and the National People's Congress, not to the public, by keeping the full texts of almost all audit reports as secret, with only an abstract summary published on some occasions. The first open budgeting audit report issued on June 25, 2003 focused on the budgeting of the 2002 fiscal year. Based on a great number of auditing data, the report sharply criticized the improper activities of the Ministry of Finance, of state-owned banks, of large state-owned enterprises and some other ministries. For instance, the report exposed serious problems ranging from the Ministry of Finance's mishandling of pension funds to fraudulent loans granted by dozens of local branches of the China Construction Bank.

The releasing of the national auditing report was a prelude to significant reform toward fiscal transparency through the e-government project. Just like a thunderbolt, the audit results drew wide media attention, were transmitted promptly by numerous media outlets, and therefore shook the whole nation, and resulted in a so-called “Audit Storm” in the whole country. For example, according to the 2003 fiscal year's audit report, financial malpractice was discovered in 41 out of the 55 surveyed departments in the central government and its affiliates. The misused money amounted to RMB 1.4 billion yuan (US$170 million) in 2003’s budget, and the situation was so serious that even emergency funds earmarked for disaster-relief programs were defaulted. The data show that during the period between 1983 and 2003, when the NAOC was established, it has examined more than 3 million institutions throughout the country,
exposed extensive misuse of public funds by some government departments, and seized illegal and suspect funds worth RMB 130 billion yuan (US$15.7 billion).

The “Audit Storm” is sweeping rapidly from central to provincial levels. Guangdong province acted as a precursor in leading the movement of fiscal transparency. The province has introduced a detailed department budget report since 2001, intending to provide delegates of the local People's Congress with concrete information for checking and ratification. It reported that in late 2003, local delegates noticed that four kindergartens affiliated with government agencies, which were reserved for children of government employees, were allocated more than RMB 20 million yuan (US$2.41 million). Thus delegates demanded an explanation as to why taxpayers’ money should be used to raise civil servants' children without approval from or even informing taxpayers. Other problems detected by local audit body and delegates include the lack of a feasibility study before commencing a construction project, poor accounting, inadequate management, shortcomings in bidding processes, low efficiency and legal violations and so forth.

Spurred by a process of open budget and fiscal transparency, the fight against corruption was intensified in recent years. The Supreme Court of China, the juridical section of the government, has also been playing an active role in safeguarding the country’s financial security, protecting the growth of non-public economic sectors, maintaining a sound market economic order and ensuring fair market competition. In 2003, the courts at all levels in China investigated 5,687,905 cases which involved a sum of RMB 768.5 billion yuan, and six former ministerial-level officials were sentenced on charges of job-related crimes. The penalties on them ranged from death sentence with a reprieve, life imprisonment, to 12 and 15 years imprisonment, according to China's chief justice report.

It is a worldwide movement towards open government and fiscal transparency – an international consensus based on the fact that financial crisis is bred partially because fiscal practices were not open to scrutiny – putting an urgent emphasis on public participation into and supervision of government behavior, among which, the most crucial matter is how government spends public money. The “Audit Storm” inspired by China’s e-government “Golden Auditing Project,” however, is only a small advance compared with many other countries’ best practices, but it is already a great leap forward from a remote scratch line in China’s “secret budget history,” it is also a path-breaking endeavor towards e-government and e-democracy.

FISCAL TRANSPARENCY STRENGTHEN GOVERNMENT ACCOUNTABILITY

It was observed that fiscal transparency and government accountability are interdependent. Without achieving fiscal transparency in the first place, there can be no government accountability; and there can be no fiscal transparency without government making a strong commitment to mobilize citizen involvement in the budget process by holding public hearings, facilitating public discourse, and dispatching budget priorities according to citizens’ preferences for public goods and services. All of that manifests the best practices of government accountability. It should be known that even when public money is allocated through a budget, and laws have been passed by the legislature, that will not necessarily produce effective results if the controlling and monitoring mechanism of the budget is defective or malfunctioning. Besides auditing systems, many other public participating arrangements should be put in place to preserve fiscal transparency, to ensure that public expenditure is allocated not only in a legitimate manner but also in an efficient way. Only an integrated monitoring and reporting

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45 Guangdong province is a place teemed with revolutionary tradition both economically and politically. At dawn of last century, the revolutionary movement led By Sun Zhongshan, gained momentum and overthrew the last feudalist dynasty in Guandong province, since then China became a republic. Beginning in 1979, foreign investment led to spectacular economic development in Guangdong province, particularly in the three Special Economic Zones regions of Shenzhen (near Hong Kong, Zhuhai (near Macao), and Shantou (near Taiwan)

46 The six former high-ranking officials were former governor of Yunnan Province Li Jiating, former vice chairman of the Shandong Provincial Committee of the Chinese People's Political Consultative Conference Pan Guangtian, former president of the Liaoning Provincial Higher People's Court Tian Fengqi, former deputy governor of Hebei Province Cong Fukui, former deputy governor of Zhejiang Province Wang Zhongli, and former governor of the China Construction Bank Wang Xuebing.
system could guard the public purse from being wasted and embezzled by incapable and corrupted bureaucrats.

Briefly speaking, government accountability can be simply understood as answerability for government performance in that, taxpayers expect and are entitled to the best possible value for their tax money, they must have assurances that the tax money they paid is being spent wisely and effectively, and government in turn, should give them a satisfactory answer. Besides auditing arrangement, government accountability is embedded in the public finance system itself. Up to date, many disciplines and frameworks concerning public expenditure management and fiscal transparency are becoming international criteria, among which the most influential documents are the Manual on Fiscal Transparency and the Code of Good Practices on Fiscal Transparency edited by the Fiscal Affairs Department of the International Monetary Fund.

The Good Practices on Fiscal Transparency, according to the Manual, includes the following basic principles:

- **Clarity of Roles and Responsibilities.** The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed. There should also be a clear legal and administrative framework for fiscal management.

- **Public Availability of Information.** The public should be provided with full information on the past, current, and projected fiscal activities of government. A commitment should be made to the timely publication of fiscal information.

- **Open Budget Preparation, Execution, and Reporting.** Budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks. Budget information should be presented in a way that facilitates policy analysis and promotes accountability. Procedures for the execution and monitoring of approved expenditure and for collecting revenue should be clearly specified. There should be regular fiscal reporting to the legislature and the public.

- **Assurances of Integrity.** Fiscal data should meet accepted data quality standards. It should reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments. Fiscal information should be subjected to independent scrutiny. A national audit body or equivalent organization, which is independent of the executive, should provide timely reports for the legislature and the public on the financial integrity of government accounts.

From the basic principles of best practices in fiscal transparency above, we can recognize that the progression that the “Audit Storm” in China has accelerated, although a significant step forward in our own country is only a starting phase. There are still many challenges ahead. It is no use to have well-designed and written auditing laws and regulations that are not followed, nor is it of any use if after the audit report is released to the public, little is done by government to address exposed malfeasance, and the base line for punishment is lifted higher and higher. That will express a wrong message that it really does not matter even if one is caught for wrongdoing. Obviously, sufficient punishment should be meted out so as to stop others from doing the same thing. In China, other open budget processes such as public hearings, public debates and discourse, and more dynamic citizen participation still fare very poorly, and we should not merely applaud over the “Audit Storm.” We should seriously consider the next step...

47 From the mid-1990s, the International Monetary Fund (IMF) has been leading efforts to develop and implement Code of Good Practices on Fiscal Transparency, and the Manual on Fiscal Transparency. This was done in response to a clear consensus that good governance is of central importance to achieving macroeconomic stability and high-quality growth, and obviously that fiscal transparency is a key aspect of good governance.
reform, that is, how to put into practice specific measures to enforce fiscal transparency and government accountability.

Premchand (2001) interpreted government accountability to be of two kinds – vertical accountability and horizontal accountability. The former has relevance to the pyramidal structures of governments and essentially refers to the accountability of the lower levels to the higher levels. The latter refers to the patterns of relationships between governments and the legislatures as well as the public. Whereas Romzek and Dubnick (1987) have developed a more complicated matrix (See Figure 1) to articulate four types of government accountability. All of these analytical frameworks are relevant to open government and fiscal transparency discussion.

**Figure 1. Government Accountability Framework**

<table>
<thead>
<tr>
<th>Degree of Autonomy</th>
<th>Source of Expectations and/or Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Hierarchical</td>
</tr>
<tr>
<td></td>
<td>Legal</td>
</tr>
<tr>
<td>High</td>
<td>Professional</td>
</tr>
<tr>
<td></td>
<td>Political</td>
</tr>
</tbody>
</table>

Source: International Public Management Journal Vol.6, No.1, 2003, P20

In Figure 1, Romzek and Dubnick distinguished four kinds of government accountabilities: hierarchical, professional, legal and political, and measured the degree to which government agencies have a low or high autonomy to carry out their responsibilities, as well as the origin of control or expectation coming from internal or external forces. It is self-evident that hierarchical and professional accountabilities are endogenous; they exhibit a vertical increase of autonomy. On the contrary, legal and political accountabilities are extraneous, but their autonomous degrees also increase vertically. Public budget is more than simply a technical tool for allocating public expenditure- it is also a social and institutional arrangement that shapes public life and state institutions, and can promote good governance in a country. In the following paragraphs, we will discuss from a theoretical perspective how fiscal transparency will facilitate the implementation of these four kinds of government accountabilities.

First, government professional accountability entails assigning the budget tasks to professionals who are experts with special knowledge, backgrounds, experiences or training, such as accountants, auditors, tax collectors, computer engineers and programmers. To empower them with high degree of autonomy is equivalent to reinforcing their professional accountability simultaneously. Process of fiscal transparency, especially under certain comprehensive e-government projects, is undoubtedly a pivot point for a great democratic undertaking that will mobilize all sorts of professionals, with each doing his best according to his abilities. Professional accountability will be enhanced by various tasks in a framework of best practices of fiscal transparency. For example, to make budget information more understandable to a wider range of readers by giving non-technical explanations of terms and jargon; supportive charts, graphics, sometimes a navigation etc., will summon many talent experts and strengthen their responsibility automatically.

Second, government hierarchical accountability requires a clear definition of government structure and function. In those responsibilities of governments at different levels, and of the executive, the legislative and the judiciary branches of government should be well defined. Clear mechanisms for the coordination and management of budgetary and extra budgetary activities should be established. Relations between the government and the nongovernmental public sector agencies should be based on clear arrangements. The best practices of fiscal transparency require the budget documents to reveal details about government units, including descriptions of their activities, performance standards and
achievements. Fiscal transparency will certainly bring about a performance motivation, evaluation and supervision mechanism, both for government agencies and for civilians, under this reasonable and distinctive pyramid of responsibility assignment, and hierarchical accountability within government bureaucracy will eventually be strengthened.

Third, government political accountability refers to responsiveness to the concerns of key stakeholders, mainly supervisors, elected officials, and general citizens. Despite the fact that a system of checks and balances of Chinese style is not so distinct and strong in nature, that the citizens are exclusive beneficiaries of government service is beyond question. As an important policy documentation, the budget should be prepared and presented within some main assumptions, a comprehensive macroeconomic framework; arranged under an integrated, across-the-board accounting system that provides a reliable basis for assessing the progress of public expenditure as well as its arrears. Public procurement and employment regulations should be standardized and accessible to the public. In order to respond to citizens about how the enforced budget is being implemented, a monthly, quarterly or at least mid-year report on budget developments should be presented to the legislature as well as to the public. A final account report should be presented to the legislature within a year of the end of the fiscal year and all results achieved relative to the objectives of major budget programs should be presented to the legislature annually. Despite the fact that government political accountability has relatively larger room for political manipulation, a responsible government must take crucial measures to strengthen its accountability to the public and expedite the tasks of fiscal transparency.

Fourth, government legal accountability involves strong supervision from outside, which demands government compliance with the established budget mandates, budget policies and programs. In face of this exterior constraint, government autonomy is extremely limited. In a modern democratic society, government, as a rule, is organized on a system of checks and balances – the governmental structure whereby powers of one branch of government checks or balances those of the other branches. Fiscal transparency enhances government legal accountability by releasing budget reports in a timely manner, to confirm that public money is not allocated by a few oligarchies, but under strict monitoring, being spent in a legal and efficient manner. The best practices of fiscal transparency provide many regulations, mandates and rules to intensify government legal accountability. Any commitment or expenditure of public funds should be governed by comprehensive budget laws and openly available administrative rules. Taxes, duties, fees, and charges should have an explicit legal basis. Tax laws and regulations should be easily accessible and understandable, and clear criteria should guide any administrative discretion in their application, and so forth.

Fiscal transparency is a prerequisite for government hierarchic, professional, legal and political accountabilities. Simply put, if budget information is not available, the public has no chance to discuss it; not only budget policies but also national macroeconomic strategies cannot be assessed and analyzed. Under this situation, fiscal policy cannot lead to efficient resource allocation. Fiscal transparency also facilitates the identification of governmental weaknesses, promoting the adoption of needed reforms. Adherence to fiscal transparency can increase faith in governments; it can also contribute to building consensus on and commitment to social trade-offs, which is an impetus to macroeconomic stability, just because it prevents the build-up of a crisis in secret, introducing any smaller adjustments as soon as possible. The increased faith in and support of a transparent government can also attract international investors, which is especially important to China, as fiscal transparency and government accountability are valuable elements of healthy investment atmospheres within a country.

GOVERNMENT ACCOUNTABILITY INDUCE E-DEMOCRACY

Nowadays as e-democracy is at its beginning stage, there is much confusion about how to clearly define it. Steven Clift, an acknowledged expert and leader in the worldwide e-democracy campaign, describes e-democracy as “how the Internet can be used to enhance our democratic processes and provide increased opportunities for individuals and communities to interact with government and for the government to seek input from the community” (democracy online http://www.dowire.org). According to
him, the core of e-democracy is to strengthen democracy through the use of innovative ICT to deliver improved democratic decision-making processes and to increase citizen participation. How about the evolution from e-government to e-democracy? The Institute for Electronic Government (IEG) has designed a four-stage model of “e-development” (see Figure 2), which maps four progressive scenarios from an informed to an engaged citizenry. It also serves as a scorecard of digital savvy – how successfully a government entity interprets and responds to the digital world and exploits technology accordingly to advance influence. There are two axes in the Figure, one axis measures the degree of engagement, the other measures influence.

Figure 2 depicts a life cycle of e-government, from the initial stage of asynchronous information dissemination to a higher level of two-way communication, then an even higher level of collaborative, interactive transaction between government and citizens, and finally, the most advanced level of e-democracy. Some people think that now in China e-government is still in its early phase, thereby e-democracy is a more marginal occurrence. This idea only focuses on the extent of ICT use and development, but neglects the soul of e-democracy. We believe the technological limitation will not affect e-democracy’s potential development, which requires us to pay more attention to democratic processes and institutional innovation in our country. As we argued above, fiscal transparency – one ingredient of advanced phase of e-democracy (see Quadrant Four in Figure 2) – will enforce government accountability, hence induce e-democracy. By virtue of ICT and e-government infrastructure, we can speed the process of citizen engagement in policy-making and gain e-democracy (Cullen and Houghton 2000), we can also increase trust in government (Heichelbech 2002), promote predictability in public service performance (United Nations 2001), and promote credibility through better incorporation of citizen needs and access to information (Martin and Feldman 1998; Roberts 1999), as well as encourage oversights in the fight against corruption (Radics et al 2001).

Government, a Leviathan according to Thomas Hobbes’s imagery, plays both positive and negative roles in society. Research found out that governments, through over-bearing regulation or taxation, waste and outright corruption could be a serious impediment to economic development. In China for example, the cases of bribery, cronyism, embezzlement, extortion, fraud, graft, nepotism and even bureaucratic corruption are seemingly going up in recent years. Many occurred in the fields of subsidies, public procurement, state owned enterprise and tax expenditures. Therefore, public finance activities, if not subject to transparency and accountability, will create high stakes for political rent-seeking, promote corruption, stifle entrepreneurship, innovation and market adjustment and fail to achieve social, environmental and economic goals. Exposing public finance performance to public supervision will curb corruption in government activities.

Based on the above arguments, the following list of core measures for fiscal transparency and government accountability should be taken by Chinese government:

- Continue to construct an effective and practical audit network based on the e-government project, and connect audit institutions to the major audited bodies nationwide; develop a suite of auditing application software that satisfies requirements of audit tasks; install a group of economic and practical computer facilities and infrastructure to facilitate scrutiny and monitor work over public revenue and expenditure; and construct a group of databases (working platforms) to support audit assignments and provide the general public with annual national audit reports on the budget as well as other audit reports on a regular basis, create a transparent environment for effective public decision-making.
- Continue the reform of the budget process, ensure that the government budget functions as a policy document, financial plan, operational guide and a communication device. Take the initiative in public hearing, public participation, budget debate and other budget discourse activities. Cast away the old tradition of “budget secrecy”; invite citizens to participate into budget process. Government should reveal financial and economic information on a regular basis. China’s budget report should be comprehensive, including all quasi-fiscal activities, financial and non-financial assets held by
government, contingent and future liabilities, and tax expenditures. Before the beginning of the budget year, a budget statement and proposal should be presented; also, budget estimates should be provided to the public, and should cover a multi-year projection. In order to make it easy for ordinary people to understand budget terms and programs, a “citizens budget” should be provided for the benefit of a wider audience.

- Continue to deepen public participation in democracy by strengthening the connection between citizens and delegates of the National People’s Congress, citizens and government agencies and departments as well as groups of citizens in civil society. Highlight the importance of ensuring the integration of online and traditional methods for citizen engagement in policy-making. Open up new channels for democratic communication to encourage involvement by people who in the past may have felt excluded from the democratic process or were unable to participate. Use the Internet and other ICT tools to encourage citizens’ engagement in e-discussion, e-voting, e-consultation, e-petition, e-scrutiny and many other e-activities within a comprehensive e-government framework. People, who for various reasons would not consider using traditional democratic forums and channels, could use new technologies to make their voices be heard.

- Continue to experiment with performance-targeted or result-oriented management reform in government organizations and public sectors, especially “performance-based budgeting”, linking fiscal expenditure allocations to clarified and measurable performance targets in government departments and agencies. For the sake of government transparency and accountability, it is necessary to develop ICT software for analyzing public input and providing feedback to citizens on how their comments and suggestions have been used in reaching decisions on budget expenditure and revenue. In order to build a transparent and accountable culture in government institutions, or at least introduce incentives to best performance of government departments and individual civilians, reform designers should focus on such matters as “mainstream” performance budgets by linking allocations to results requirements; develop performance criteria to ensure relevance, readability and realism; clarify
accountability relationships by creating results-oriented “bottom-lines”; and make accountability relationships enforceable by creating appropriate institutions.

CONCLUSIONS AND FUTURE CHALLENGES

As “all roads lead to Rome,” there must be many approaches leading to e-democracy. However, the best way for China, a country with a long history of “fiscal secrecy,” is to open up its budget process so as to install effective mechanisms of good governance. The importance of e-transparency in all phases of e-government in general and fiscal transparency in particular, highlights the urgency of China’s budgetary reform. Following the Code of Good Practices on Fiscal Transparence of the IMF, China should strive hard to reach this destination.

In light of this statement, China should be prepared to face barriers and challenges ahead, and the following crucial elements should be emphasized:

- **Government commitment**: The Chinese government must be determined to carry out political reform, change its structure and function; this commitment must be enforced.
- **Strengthen legal framework**: Transparency and responsible fiscal management needs a legal environment; government should promulgate a series of new legislation that promotes policy transparency and public responsibility.
- **Strengthen institutional framework**: The unprecedented degree of interactivity offered by rapid ICT development raises the prerequisite to expand the scope, breadth and depth of the government institutional framework concerning their technical, political and governing implications.
- **Eliminate corruption**: Fiscal transparency is to expose government to citizens for monitoring; government must implement strict self-discipline, penalize any corrupt behavior and activity within government bureaucracy.
- **Moral integrity**: Integrity is being honest and firm to moral principles and all just causes; a country’s moral integrity is a political and administrative system that encourages social equity and justice. Being honest, particularly making sure that all government agencies and public sectors are being honest, practical and realistic, is the key to cultivating and keeping moral integrity across the whole country.
- **Awareness of citizens**: It is the Chinese citizens who will benefit from the reform of open budget and transparent public policy; government should make great efforts to raise awareness of the citizens, to empower them with the capacity, the edge tool and new channels offered by ICT, to participate the new opportunities of policy-making in e-governance.
- **Technological support**: China is a country with sharp demographic discrepancies, therefore, providing citizens, especially those living in remote regions, with technological support for digital engagement in e-government and e-democracy is very important. But first of all, it is necessary to wipe out illiteracy in all rural areas.

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MPA Programs in Australia

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INTRODUCTION

A number of Australian universities have established specific master’s programs for public servants over the past twenty years. However, since they were initiated, they have not thrived in comparison to MBAs (Master of Business Administration) and other master’s courses in business. It was not easy to attract students and good staff. MPA (Master of Public Administration) programs have generally not captured the public sector community’s attention in the same way as is the case in a number of US schools of public administration or management. Universities in Australia first offered MPA degrees in the 1970s and early 1980s. Early courses included the Master of Public Administration at the University of Queensland and Sydney University. The Australian Graduate School of Management (AGSM) was initially set up in the 1970s to provide an education for public sector managers as well as for private sector managers. Such early programs tended to fold for different reasons. At the AGSM, key staff left and the demand from students was for MBA programs. Other MPA programs suffered from lack of students.

This situation changed in 2003 with the creation of the Australia and New Zealand School of Government (ANZSOG). This is a consortium of five governments – the Commonwealth government, the New Zealand government, and the three largest state governments and nine universities set up to offer an executive master’s degree in Public Administration. The ANZSOG student cohort is composed of future leaders in the opinion of their governments; in the first two years of operation there are 250. The creation of ANZSOG has required considerable coordination between governments and universities in different parts of Australia and New Zealand. The nine universities involved are the main ones with expertise and interest in public sector management. In a change from previous practice, all students are fully funded by their governments and at a level that is more costly per student than other training. Funding on this scale reflects a major change for governments in Australia.

It was not usual for public agencies to fund staff to take MPAs or the equivalent. The initiative reflects the need to look at future staffing for public managers in a strategic way, to try to recruit good staff, educate them well and promote them quickly. That this need was felt, also points to perceived problems with existing MPA programs, in that governments were dissatisfied with what they were receiving from the universities. ANZSOG does work with the university providers but the governments have specified what is taught and how it is to be taught.

This paper provides a brief account of the development of MPA programs in Australia, but it is mainly about the setting up of ANZSOG and the executive master’s, the effects of the ANZSOG initiative on other MPA programs, as well as drawing some lessons for other countries, particularly in the Asian region. There is also the prevailing view that the task of running government during and following a period of major reform on the scale and scope that have been carried out in Australia, is a complex and difficult one that requires better educated managers.

EDUCATION FOR PUBLIC MANAGERS

Until the reforms of the 1980s, Australian public servants were administrators rather than managers, followers rather than leaders and more interested in process rather than outcomes. The normal practice, at least until the 1970s was for aspiring administrators to enter the public service directly from school after an examination administered by a separate non-partisan government agency, be appointed to a position at the bottom of the hierarchy, gain regular promotions, often based on seniority, or seniority
combined with “efficiency,” and, in principle, aspire to become a department head. Recruitment was based on merit and appointment was to the service as a whole rather than to one department or agency. Lateral appointment to higher levels than the base grade was discouraged. Relatively few public servants were educated even to the level of first degree. Until 1976, there was a ceiling imposed to make sure that no more than 10 percent of new recruits could be university graduates. In the late 1970s, in the course of research into the administration of several countries, an American writer, Ira Sharkansky (1979, p. 32), evaluated the Australian bureaucracy in these terms:

In Australia, the atmosphere in government offices and statutory authorities is one of genteel respect for professional norms and orderly procedure. There is little overt sign of upward striving on the part of executives, and little mobility from one organisation to another. . . There may be little financial reward and considerable loss in retirement benefits to be had from changing jobs. It is also difficult to jump over the seniority queue that governs most promotions. A high-flier might break into an organisation at the upper levels, but he will do so at the cost of some hostility from his new colleagues. . . Australian officials do not cut corners in pursuing achievements for themselves or their organisations. They express a narrow view of what is permitted to them. . . Australia’s public servants show few signs of entrepreneurship.

Education for this group was typically only provided by the workplace, in day-to-day training for the job itself rather than university-level training or education for future management. Occasionally, an enterprising staff member would attend night school to gain an undergraduate degree, but higher degrees were rare.

This comfortable, easy life has changed dramatically. Since the 1980s, the public services in Australia have been transformed. Australia has been one of the leading countries in the world in implementing what has become known as New Public Management. Starting in the early 1990s, and continuing on from then there has been a transformation in government (Hughes, 1998, 2003). This has involved cutting budgets, cutting staff, privatisation, contracting-out and above all, the replacement of the old traditional model of public administration. This has had impacts on personnel and on their training. There are now very few base grade staff. Currently the public service is for the better-educated and is better-paid than before. Almost all administrative staff have first degrees.

REFORMS AND EDUCATION FOR PUBLIC SECTOR MANAGEMENT

The transformation of the public services with the advent of the New Public Management had substantial effects on the education for management roles. Far better staff are needed as the tasks of managing in a post-bureaucratic environment are more difficult than following the rules in a bureaucracy.

There has been a problem of disciplinary base. Early MPA programs, such as that at the University of Queensland or the University of Sydney, could be seen as political science-based programs rather than from business management or economics. What was taught was firmly within the field of public administration rather than public management. This led to problems when the reform process was underway.

Some staff from the existing MPA programs became the leading figures in opposing the reforms. In 1989, the Secretary of Finance, Michael Keating, a strong advocate of managerial change, wrote “at the extreme there is even some outright opposition to the reforms, although interestingly much of this comes from people in universities who are not directly involved.” Most criticism came, not only from academics from a political science tradition, but also from schools or departments where fairly traditional arts-based public administration is taught, with overt disdain for more managerial courses. Painter (1987), for example, complained that “aspiring public service managers acquire MBAs, learn about marketing and master the jargon of economics.”
Most criticism of the managerial model, in other countries as well, has come from academics, mainly those involved in liberal arts training within the universities. More recently, Jones, Guthrie and Steane argue (2001, pp. 23-24):

Critics of NPM appear to outnumber advocates in academe, if not in the practitioner environment. Some of this may be related to the fact that academics face professional and career incentives to find fault rather than to extol success. . . Some criticism may derive from the fact that it is perceived to draw conceptually too strongly from a “business school/private sector management” perspective. This conceptual framework threatens the foundations of much of what is believed to be gospel and is taught about government and public-private sector relationships to students in public administration programs, in political science and related disciplines.

Many within universities were also disadvantaged by the changes. With the advent of managerialism, there was a shift away from liberal arts-based training towards economics and management, which has doubtless been followed by a shift in resources both from outside and within the university system. The demand side from government and public services has certainly shifted towards skills in economics or general management, often without attention being paid to the special requirements of government work.

Most public servants, however, are now well-educated to at least the first degree level. But it has been typical that master’s degrees for public servants have not been seen as necessary for further advancement. There have always been students that have wished to undertake further study themselves but with higher degree study almost universally involving the payment of substantial fees, only relatively small numbers have wished to fund themselves for a higher degree. Even then many students have chosen specialist qualifications in accounting or engineering, for instance, and in MBAs rather than in public administration. One reason that governments did not support MPA training was that they questioned the relevance of what was taught, much of which really belonged to an earlier age.

THE AUSTRALIA AND NEW ZEALAND SCHOOL OF GOVERNMENT

The initiative for establishing ANZSOG came from the Victorian government, which involved the University of Melbourne and Monash University (both in the city of Melbourne) in its deliberations from the outset, and other governments and universities subsequently. Participating governments identified a significant need for renewal of policy and management capacities in the public sector. A study conducted by the Boston Consulting Group (BCG) in 2001 (before the idea of involving NZ had been raised) stated that:

Government CEOs interviewed in Victoria, New South Wales, Queensland and federally identified a set of common, high priority, high potential development problems that were resulting in insufficiently deep successor pools. They also identified a gap in executive development program offerings. An Australian Graduate School of Government could help to address both these issues. Strong supporters for the AGSG concept exist in governments and elsewhere around Australia… There is market demand for potential AGSG offerings. (BCG 2001, 5).

Governments were concerned that demographic changes – the impending retirement of the ‘baby-boomer’ generation – meant that the next set of managers needed to be found. There was an aging public service workforce, a shallow successor pool and the feeling that public service is less attractive to desirable recruits. This, together with competition from the private sector for scarce talent, and the increased complexity of government meant a new approach was needed. The view was also expressed that existing MPA programs did not provide what was needed by government. There was a measure of dissatisfaction with the current offerings of universities. One senior manager described this as a
“disconnect between what is available and what governments need,” while another said he was “underwhelmed by what is on offer.”

Governments demanded more technical skills in such areas as economics and data analysis, as well as management. The view was also expressed that MBA programs were not suitable for public sector management as the task of a public manager was so different from that of a manager in the private sector. The governments wanted something new.

After discussion for more than a year, the Australia and New Zealand School of Government was created at the beginning of 2003 with, as members, the federal government, the New Zealand government, and the Australian state governments of Victoria, New South Wales and Queensland. Other states were likely to join later. University partners tended to be those where there was already a specialisation in public sector management, including Melbourne University, Monash University, the Australian National University, Sydney University, University of New South Wales, Griffith University, University of Queensland and Victoria University Wellington in New Zealand.

The program brings together the best emerging public sector leaders from Australia and New Zealand with outstanding teachers and practitioners to enhance participants’ knowledge and capability to drive improved public sector performance. The core curriculum is multi-disciplinary and application-oriented, and emphasizes technique, experience, judgment, and values – in short, the “trade-craft” of government. It builds on an explicit recognition that there is a corpus of knowledge, skills and values which are essential for effectiveness in Australian and New Zealand governments; ANZSOG programs are directed to impart this knowledge, skills and values.

From the Boston Consulting Group study there were two key programs identified – the Executive Master of Public Administration (EMPA), the other an Executive Fellows Program (EFP). The latter is a residential program of three weeks for 80 high level executives. The most important is the EMPA.

EXECUTIVE MASTER OF PUBLIC ADMINISTRATION (EMPA)

The ANZSOG EMPA was designed to allow full participation in a master’s level course without students needing to be taken from the workplace for long periods. It is a ten subject program. The basic format is for one-week intensive subjects, three taken as the full cohort of 120 in one location, two in three groups of 40, two in the local jurisdiction and three with one of the partner universities. An expected benefit from this is that participants build links and networks across, and acquire greater knowledge of, the participating governments.

Candidates generally require a Bachelor’s degree in any discipline at an Australian or New Zealand university or equivalent, or have produced evidence to the satisfaction of the Dean of the School of Government of equivalent qualification for entry to the degree through extensive practical, professional or scholarly experience of an appropriate kind; and significant work experience.

The aims of the EMPA are to bring together the best emerging public sector leaders from Australia and New Zealand with outstanding teachers and practitioners to enhance participants’ knowledge and capability to improve public sector performance. Graduates are to:

• be familiar with fundamental theory underpinning effective performance in public sector management and policy development;
• have a good feel for the difficulties of delivering results in government;
• be skilled in applying theory and analysing data to solve real world management problems; and
• have well-developed personal and leadership skills.

REQUIRED SUBJECTS

There are eight required subjects:
Delivering Public Value – This subject examines the theory and application in public sector contexts of organisational structure, purpose and rules; political purposes and institutional arrangements; risk identification and management; operational planning; and interdependencies and connections between policy and service delivery and between policies and programs. Utilizing the theoretical perspectives of the management disciplines, the course will be practically oriented towards delivering outcomes for government, applying available resources efficiently and managing people and operations to deliver those outcomes.

Decision-making Under Uncertainty – the use of data in government, including statistical methods. This subject includes: techniques of quantitative reasoning in addressing policy problems, modelling, constrained optimization, probabilistic analysis, decision-making under uncertainty, data analysis and statistical inference, techniques in qualitative research, formulating research questions and objectives, the ethics of research (informed consent), sampling, data collection techniques, analysis and evaluation of qualitative data.

Designing Public Policies and Programs – an applied appreciation of the tools available for designing, developing, analysing and evaluating public policies and programs and the skills required for providing constructive advice to Government. This includes: applied problem solving, evidence-based policy making, policy analysis and evaluation, modelling outcome bottom lines, external constraints on policy and program design, stakeholder engagement, consultation and management, and social and environmental impact analysis.

Government in a Market Economy – public sector economics in an appreciation of the insights that economics can offer many aspects of government activity. It includes: the workings of markets; supply and demand, value in the collective realm, ‘public goods’ and externalities, information and market failure, signaling, moral hazard, adverse selection, the economic role of government, creating markets, beyond markets, the character of non-market determination, “public goods” and “public choice.”

Leading Public Sector Change – This subject combines examination of the theoretical underpinnings of leadership with practical personal development tools. It includes: leadership, public/private/community comparisons, development of leadership capabilities, drivers of public sector change, aligning organisational culture, change management, communication, entrepreneurship in the public sector, and values, morality and professionalism. Students will develop and applied knowledge of leadership, people management, change management and communication methods, and will be given the opportunity to reflect on the strengths and weaknesses of their own leadership and communication skills and those of their managers and colleagues.

Governing by the Rules – regulation, law, convention, practice and ethics. The subject will address, origins of government and the notion of authority and legitimacy, the constitution, “the platform,” “the mandate” statute, regulation, administration and review, principles of administrative law, powers, instruments, management, and “administerability,” the role and force of conventions, institutional cultures in Courts, tribunals and governments, ethics, personal responsibility and accountability.

Work-based project – a project of significance for a government organization, carried out by syndicates. The project is undertaken by teams of up to five students, and will address a substantive public sector issue. Projects will test the team’s ability to define a “real-life” problem, design a strategy for addressing the problem, gather data, formulate and evaluate options and make recommendations. The work-based project will conclude with a 2 ½ day residential component, where students will have the opportunity to present the outcomes of their project to ANZSOG faculty and their Executive MPA colleagues.
Public Sector Financial Management – accounting, budgeting and other aspects of financial management as taught by the partner university in the jurisdiction of enrollment.

Electives (2) – taken from the graduate subjects in the partner university.

Government members of ANZSOG indicated they wanted the teaching to be innovative, based on cases, with a curriculum of a high level expressly designed to provide a group of future leaders in the public sector. Classes are organized around students’ real-world roles as managers and policy advisers, rather than requiring students to integrate from discipline silos. The teaching style is interactive and innovative, making extensive use of case studies, guest speakers, simulations and other teaching methods, which will increasingly draw on “real-life” Australian and overseas experience.

Early on, it became apparent that a number of cases would have to be developed. Although the teaching style learned a lot from US public management courses – some staff and visitors have experience at the Kennedy School at Harvard – the cases often used were so nation-specific to the US as to be of little relevance or use elsewhere. Specific grants to write cases were derived from the New Zealand government and the Commonwealth Secretariat in London, which wanted cases relevant to smaller developing countries. A case library is being developed to assist the teaching and to be available to other teaching programs.

The first year of operation has been a great success. Demand for the course is far greater than the available government funding. The curriculum design process involved the very best professors in the two countries and the individual subjects are interesting and appreciated by the students with teaching evaluations very high, comparable to that achieved by business schools.

LESSONS FOR OTHER MPA PROGRAMS IN AUSTRALIA

The existing MPA programs have continued, but have had to change to some extent. Despite ANZSOG being competitive, the best public administration and public management academics have become involved in what ANZSOG is doing. To some extent, the ANZSOG EMPA has assisted other MPAs by giving recognition to those who take higher degrees, or that one way of progressing in a career is by showing the initiative of doing a master’s.

There have also been necessary changes to existing courses. Some have decided on direct competition, others on changing their offerings to be more in accordance with the kinds of teaching that governments want and the kinds of programs governments want. In this regard, one point of departure from US courses is that the prescriptive MPA is now regarded as old-fashioned. There is much more now required from management and the term public manager has largely replaced that of public administrator.

There has been more entrepreneurial activity with overseas partners now for some Australian public management courses, more effort to be responsive to students and their employers. Monash University, for instance, one of the ANZSOG partners, has the largest master of Public Policy and Management course – an MPA by another name – and has instituted a review of all subjects to learn from the ANZSOG experience, to participate in the case-teaching and case-writing programs, and to further engage offshore. The general lesson is that MPA programs have needed to become more professional, more engaged with government and to generally have to work harder.

LESSONS FOR OTHER COUNTRIES

Although this research concerns two countries – Australia and New Zealand – as they attempt to initiate a kind of succession planning for public management in the future, there are some possible lessons for other places.

- The demographic issues leading to the change are common to many countries. The current generation of public managers is approaching retirement and there are fewer in the cohort that follows.
• Governments need to be actively engaged in the development and maintenance of public sector management courses.

• Public administration of the old bureaucratic style just does not work anymore. Managers in the future need greater education and from a wider source of intellectual homes than was the case. Management is different from administration (Hughes, 2003) and substantial management theory needs to be learned.

• In some areas, such as human resource management, much can be learned from private sector experience. But in general the kind of education designed for private sector management courses, notably MBAs, is not applicable to the needs of the public sector.

• Technical skills need to be developed in such areas as economics and data analysis. Managers cannot rely on the subordinates to offer advice; they need to know for themselves how to interpret and use economics and other data.

• While much can be learned from other countries, there are limits to its utility. Ideally, management theories and processes for government would be specific to that country. There are some theories and principles that can be transferred, but there are some that are so nation-specific that they should not. The United States is the intellectual home of public administration, but many of its theories and precepts are not relevant to other political contexts.

• Interchange between academics and practitioners of different countries can help to develop courses and subjects. ANZSOG has been greatly assisted by academics from the US, from the UK and there have been interactions already with several countries in the region.

CONCLUSION

The establishment of the Australia and New Zealand School of Government represents a major change in education of public managers in Australia. The Executive Master of Public Administration is an innovative program, one that includes public servants from several states and the central government, as well as the New Zealand government adding another dimension altogether. Calls by participating governments for nominations for the first 120 places for the course have already been oversubscribed.

Traditional MPA courses still exist but have found it difficult to cope with the changed environment. If once such courses were the place where academics criticized governmental reform programs, they are no longer. MPA degrees or EMPA degrees or MPPM degrees are now widely regarded as necessary for a career at higher levels in the public service. The recent Australian experience with far-reaching reform has led to major changes in the education for public managers as well.

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BACKGROUND OF MPA PROGRAM DEVELOPMENT IN CHINA

The requirement of public administration in China

The current Chinese theoretical and practical systems of public administration are lacking behind China’s Reform and Opening-up. The public power is concentrated without a sound democratic supervision mechanism; the public organizations are suffering from low efficiency due to functional overlapping; bureaucracy is rampant, and officials are not law-abiding. According to the public administration reform, we must build up a powerful education and training system. Through education and training, we will foster high-quality public managers who have modern administrative ideas and are armed with modern public administration techniques. Public administration education and training can also promote the research on the various aspects of the government and other public sectors, such as basic functions, operating mechanisms, and personnel systems; and therefore advance China’s public administration reform and public administration performance.

The current situation of public officials

Civil servants are the most important part of public human resources. Developing the quality of civil servants will lead to the development of overall qualities of public human resource greatly. After 25-year economic reforms, the overall quality of civil servants has been improved greatly, but there still exist several problems.

Low educational level

The academic degree not only records a person's professional training, but also symbolizes his or her overall competence. According to the statistics of 2001, among the 5,200,000 civil servants in China, 37.9% are senior high school graduates, 44.8% are college graduates, of which 16.3% are undergraduates and 0.89% are graduates.1

In the western region, civil servants with high academic degrees are very rare. Through investigation, the civil servants with graduate degrees in the Guanzhong region of Shanxi province account for only 0.28% of the total in that region, and the civil servants with undergraduate degrees 16.8%. Because of poor education, their knowledge is not sufficient to meet the new demands of public administration.2

Unreasonable professional knowledge structure

Most of the civil servants in China were majors in science and engineering. They lack the professional knowledge and technical abilities of management. Moreover, although some of them have abundant public administration experience, they do not have systematic management theories. According to an investigation in Hubei province, the local civil servants at department levels seldom study management, or social sciences such as economics and law. An investigation of 240 department level civil servants in Jiangsu province indicates that the civil servants whose majors are science, engineering and other non-arts account for 55%. Due to their poor training in law, public finance, public administration, etc., their work performance is seriously affected.  

Outdated knowledge

The management knowledge possessed by a lot of civil servants is conventional and outdated. They lack basic knowledge of international rules, and they don’t master basic methods of scientific study. According to a sampling investigation conducted by the Ministry of Personnel, in the organizations above national provincial level, 67% of public servants do not understand international rules that are related to their work. According to an investigation of cadres at municipal level by the Organization Department of Sichuan Province Committee of the Communist Party of China, there is a gap between the cadres’ knowledge level and the needs of time, and some cadres still lack the market economy and modern science technological knowledge. On one hand, the cadres who are familiar with international rules, master capital operation, and are good at macro-economic management are rare. On the other hand, some cadres at municipal levels are not interested in studying these.

Regional variations of civil servants’ quality

The developing gap among different regions in our country is very large, so there are distinct regional variations in the quality of civil servants. Taking the academic degree as an example, the civil servants’ academic degree in urban areas is generally higher than that of the rural civil servants, both in developed and developing regions. Take the Guanzhong region of Shanxi Province as an example; according to an investigation in 2000, the number of civil servants with bachelor-or-above degrees in the whole region accounts for 0.28%. The proportions of the civil servants with academic degrees of master-or-above, bachelor, junior college, under technical high school are: 0.28%, 27.7%, 40%, and 32% respectively. In counties of the Guanzhong region, there are no civil servants with master’s degree. The proportion of bachelors, junior college graduates, and under technical high school graduates are: 9.4%, 32.1%, and 58.5%.  

Status quo of human resource development in the public sector

Professor Niu Wenyuan, director of the Sustainable Development Strategic Team of the Chinese Academy of Sciences, together with other professors, pointed out that the proportion of input cost to humans’ physical and technical capacity as well as intelligence by society is 1:3:9, and the proportion of contribution of the three parts to the society is 1:10:100. In this sense, government should explore the human resource of civil servants. Although China has developed a system of civil servant training and obtained great results, there are still some problems. According to the statistics of 2001, there are 5,200,000 civil servants in China, but the percentage of individual times of training are: 50.1% in central

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5 Chen Shaofeng, Yang Duogui, Niu Wenyuan:” The human resource capacity construction and sustainable development”, the economy research of Shanghai, Issue 6s of 2002.
government, 72.8% at the provincial level, 49.7% at the municipal level, 38.3% at the county level, and 27.3% at the country level. Only 43.2% of civil servants (about more than two million) attend trainings in that year. However, as prescribed in current regulations, there should be 5,200,000 person-times in renewal of knowledge every year (7 days every year).

Moreover, the public human resource system mainly concentrates on training, but does not pay special attention to regular professional education. The content of training should also be improved constantly to meet the demands of the era. So it is an urgent mission to deepen the reform of educational training system of public human resources.

**MPA education is an urgent request from civil servants**

According to a nation-wide investigation in 1998 conducted by the Department of Personal and National Administration College, young civil servants promoted in recent years need to study modern public management, public administration, theory of market economy, economic management, law, administrative law, public policy, financial tax management, finance management, statistics, system analysis, computer and information processing etc. to improve their capacity in decision-making, coordination, and other fields.

Because 56.8% of civil servants in China are 35 years old or younger, the demand of further education from civil servants is very great. Current short-term trainings are not sufficient. Therefore, it is an important and urgent mission for the Department of Education and the Department of Personnel to initiate and implement professional degree education (Master of Public Administration (MPA)) so as to meet the demands of civil servants training and education.

**IMPLEMENTATION OF MPA EDUCATION IN CHINA**

**The definition of MPA in China**

MPA is popular in China. Authorized by the Department of Education as the first group of experimental units, 24 universities started MPA programs in 2002. It was originally planned to recruit 2,800 students, but more than 10,000 registered for the examination. Finally, about 3,506 were enrolled that year. In 2003, 4,225 were enrolled. It is prescribed by the government that 80% of the MPA students must be civil servants.

The MPA program in China actually includes the MPA, the Master of Public Policy (MPP), and the Master of Public Management (MPM), which are usually separate programs in other countries. The key to understanding MPA in China is to understand what public administration means. In China, public administration is a branch of management, which is based on management, economics, politics, law, sociology, etc. Public administration means administration of public organizations. What is a public organization? Government and non-profit organizations (NPOs) are called public organizations, so Chinese MPA programs train administrators for governments and NPOs.

**The development mode of the Chinese MPA**

**Enrolling system**

Requirements of MPA program applicants include a bachelor’s degree and at least 4 years work experience. Majors of different fields are encouraged to apply for MPA programs.

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6 Cheng Wu:“Civil servant training how to reply the WTO actively”, new vision, Issue 4s of 2002.
The national entrance examination of MPA program is held once a year. The exam includes: foreign language (English for most students, Russian as an alternative), Math, Logic, and Management. Whether a student could be enrolled depends on his or her exam score, interview performance, and their work achievement.

**Teaching pattern (taking national MPA program as the case)**

There are two patterns in China’s MPA program, full-time and part-time; and it will take 2 to 4 years to finish the whole program. China’s MPA program consists of core courses, specialties, and electives. It is required that the total credits should be more than 50; 30 credits for core courses, 10 credits for specialties, 8 credits for electives, and more than 2 credits for practice and thesis. Core courses include 10 subjects with 3 credits each – Socialist Theory, English, Public Administration, Public Policy, Politics, Public Economics, Administrative Law, Quantitative Methods, and Information Technology Application.

Considering the fact that there are a lot of differences in different public organizations, every MPA experimental unit designs its own specialties. Electives are designed as freely as possible by each university, but the China MPA national steering committee recommends some elective courses.

Taking Renmin University of China as an example. Renmin University prepared 17 specialties for MPA students. They are: Governance and Leadership, Public Policy Analysis, National Economics Management, Land Management, City Construction & Real Estate Management, Regional Economics and Urban Management, Finance & Taxation Management, National Defense and Security Administration, Education Administration and Policy, Organization and Human Resources, Social Security, Management for Non-profit Organizations, Scientific Policy and Management, E-government, Diplomacy Policy and Management, Management Science and Quantitative Analysis, Environment and Natural Resources Management. As I know, Renmin University is the only one that can provide such a broad range of MPA specialties in China.

**Current situation of MPA education institutions in China (taking the first 24 pilot programs as the case)**

**Location of the institutions**

For the first 24 MPA pilot programs, 8 are located in the North; 8 in the East; 4 in the middle south; 3 in the North-east; and only 1 in the North-west. The newly accredited pilot institutions are mostly in the Southwest.

**Teachers’ background**

According to an investigation of the first 24 pilot programs, the proportion of male teachers of the MPA programs is 64%, higher than the general male proportion in China, but is about the same as that in Chinese universities. Professors, associate professors, and lecturers are respectively 34%, 37% and 29% respectively. The proportion of teachers majoring in the social sciences, humanities, and science and engineering are respectively 60%, 30%, and 10%. 20%, 39% and 41% of the teachers hold bachelor’s, master’s, and doctoral degrees respectively.

**MPA students**

The male proportion of the MPA students is 70%; about the same as that of the Chinese public sector. 38% of them are younger than 30, 60% are between 30 and 40, and 2% are above 40. As to the

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rank structure of civil servant MPA students, those at the department, division, section and other levels are: 1%, 12%, 41% and 46% respectively. Civil servants, non-government managers and others account for 79%, 15% and 6% of the whole group.

THE INNOVATION OF THE CHINESE PUBLIC SECTOR HUMAN RESOURCE DEVELOPMENT – THE FUTURE OF MPA EDUCATION

The contribution of MPA education to public sector human resource development

The MPA education in China has obtained prominent achievements in the past several years. We have been learning and using the experience of foreign MPA education; and successfully integrated them with Chinese characteristics.

The growth of MPA education in China is innovative. The Chinese MPA graduates will contribute greatly to the public sector human resource development by:

(1) Initiating a new way for developing public administrative talents, and laying the foundation of fostering modern public administrative intelligence;

(2) Building a new platform to integrate public administrative knowledge;

(3) Building the new bridge of communication between universities and governments, and promoting the contact of public administration theories and practice more mutually and closely; and

(4) Pushing forward the research of public administrative issues.

Problems existing in MPA education in China

Despite its successes as a new method of training high quality public talents, MPA education in China has some problems.

Teachers’ experience

Teacher quality is a key factor of education. A qualified MPA teacher must have both theoretical and practical knowledge. Since China’s MPA training is only at its starting stage, we lack high-level talents in public administration, which affects the teaching quality.

Teaching methods

MPA education aims at building students’ qualities and integrated capabilities, especially in leadership. However, many teachers still adopt the old method of imparting knowledge, lecturing from books. They have few ideas about modern teaching methods. We have too much lectures, but very limited practice and experience exchanges.

Finance

Currently, the tuition fee for the MPA is about RMB 35,000 in many universities, such as Renmin University of China, Peking University and Tsinghua University. Universities claim that RMB 35,000 is only as high as the operation cost. Tuition for the MPA is only half as much as that of the MBA, but their operation costs are almost the same. Nevertheless, this low tuition seems to be a hard burden on public servants, whose salaries are not very high.
Case study

The use of case studies is an important teaching method in professional programs, but the number of cases in our teaching is far from enough. Moreover, the majority of current teaching cases are small cases, and cases set in single, specific settings. We need more integrated cases and cases particular to the Chinese context.

SUGGESTIONS

Speed up MPA academic degree development

(1) Improve teachers’ qualities. Take measures to attract more excellent teachers. Encourage teachers to adopt various teaching methods, such as group discussions, seminars, and observations. Encourage them to participate in public administration practice; and encourage them to go abroad to seek international experiences.

(2) Improve teaching methods. Since most MPA students in China are in-service public employees, MPA teaching methods should be different from the average teaching method of graduates. Reform of the teaching method should stir students to participate in teaching activities, and develop their overall abilities and qualities.

(3) Strengthen the accumulation of the teaching materials and case database. On the foundation of the existing teaching materials, we should improve and perfect teaching experiences from the first MPA education.

Sets up the public sector human resource development innovation system with Chinese characteristics

The MPA program is only part of the public sector human resource development in China, which requires efforts in the following aspects:

(1) To establish such an idea that personnel is the core capital of the public administration, large investments should be made to improve the personnel in the public sector.

(2) Set up public human resource development strategies.

(3) Encourage domestic and even international communication between MPA programs, faculties, and students.

(4) Set up and improve the evaluation system of public human resource development.

(5) Encourage a life-long learning attitude among public employees.

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Globalization and Public Affairs Education in America: A Preliminary Assessment

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Over the last ten to fifteen years, there have been apparently dramatic changes in the international orientations of American public administration. Professional associations, such as the American Society for Public Administration (ASPA) and the International City County Management Association (ICMA) (composed largely of American administrators) have engaged in a variety of international outreach efforts. ASPA (2004) has entered into memoranda of understanding with fourteen international organizations representing professional public administration in a diverse set of countries. Those include Colegio Nacional de Ciencias Politicas y Administracion, Publica, A.C. (Mexico), Commonwealth Association for Public Administration and Management, European Group of Public Administration, Hong Kong Public Administration Association, Korean Association for Public Administration, and others. Its agreement with the Chinese Public Administration Society has been perhaps the most successful of these. ASPA and CPAS sponsored the first Sino-American International Conference on Public Administration in Beijing in 2002 and are cosponsoring another conference there in 2004. ICMA (2004) has participated in a variety of international endeavors, including efforts sponsored by the U.D. Department of State to improve governance in Eastern Europe. Since 1989, ICMA has carried out more than 400 projects in over 40 countries around the world to improve management of local governments and the involvement of citizens in local government.

Paralleling or complementing these initiatives have been the efforts of American academia to contribute to democratization and improvements in governance around the world. Many public policy and administration faculty have participated in initiatives in Eastern Europe and the former Soviet Union, Africa, Asia, and Latin America funded by federal agencies. The National Association of Schools of Public Affairs and Administration (NASPAA) has supported a diverse set of initiatives that have helped connect American faculty to their counterparts elsewhere (NASPAA, 2004). In recent years, it has collaborated particularly with academic programs in Eastern Europe and Latin America. This has been accomplished through a grant that has supported cooperation with the Network of Institutes and Schools of Public Administration in Central and Eastern Europe, a separate grant that has fostered curriculum collaboration with public administration faculty in Latin America, and a third grant that enabled it to cooperate with the National Academy of Public Administration in development of the Georgian Institute of Public Affairs in the Republic of Georgia. The work with Latin America has led to the creation of the Inter-American Network of Public Administration Education.

Stimulating much of this activity have been the collapse of the Soviet Union, with the attendant break-up of the Eastern Bloc, and the processes of globalization. We might, in fact, view the collapse of the Soviet Union as part of the broader processes of globalization that are bringing diverse countries and people of the world closer together. Rapid changes in technology, improvements in transportation, the rapid expansion and improvement of global communication networks, reductions in trade barriers, growing political cooperation across borders, and the development of the international political economy have created new opportunities for cooperation and competition. These processes have generated interest in international affairs among many American faculty who have focused almost exclusively on domestic policy and management in the past. They have also raised questions about the way that graduate programs in public policy and administration train students for their professional roles in the present and future world.

There is fairly widespread agreement that globalization has important implications for American public administration and governance more broadly. Many scholars, administrators, and politicians have pointed out the need for American states and communities to adjust to the realities of global economic
competition. In fact, many cities and most states have offices of international trade. Matthews (1997) has pointed out that almost all American states have trade offices abroad and all have official standing in the World Trade Organization. Others have suggested that international political institutions and policy making have significant impacts on the governance of American states and communities. And, scholars like Kettl (1997), Scott, Ball, Dale, 1997), and Peters and Pierre (1998) have suggested that the development of public administration strategies and practices in the U.S. over the last twenty years has been part of a broader New Public Management that has swept the world.

Examining three recent articles allows us to explore the impact of globalization on public administration education. The first, by Huddleston (2000) traces potential consequences of globalization for American public administration. The second, by Donald Klingner and Charles Washington (2000), examines the benefits of an international and comparative perspective on teaching public affairs. The third, by Erik Devereux, explores the extent to which public policy schools are engaged in international activities. These articles suggest a rationale and an opportunity for public administration educators to integrate international affairs into the American public administration curriculum.

First we turn to Huddleston. He has argued (Huddleston, 2000) that the imperatives of globalization may well have significant consequences for public administration, but that those consequences may not be as manageable as many believe. Huddleston covers the familiar arguments that globalization is making the world smaller and more interconnected. He points to the assertion that American public administration has to become less parochial if its practitioners are to be ready to deal with global forces. He says this involves learning from other systems, by rediscovering comparative administration and embracing the international component of public administration, adopting new management practices, accepting interdependence, encouraging managers to address international economic competition, embracing diversity, and building bridges to administrators abroad (Huddleston, 2000). This message echoes other scholars (Khator and Garcie-Zamor, 1994; Khator, 1994; Tolchin, 1994; Cooper, 1998).

Many believe that pursuing this course of action will enable American public administrators to navigate the rocky waters of globalization, successfully addressing the challenges it poses. Huddleston is less optimistic, suggesting that globalization may lead to a crisis of accountability, a crisis of governance, and a crisis of legitimacy. Whoever is right, Huddleston does suggest that American graduate programs in public affairs have moved to embrace globalization. He suggests that an increasing number of programs belonging to the National Association of Schools of Public Affairs and Administration are increasingly incorporating globalization in their curricula. He bases his impression of this on conversations with colleagues and a scan of websites of major programs.

Like Huddleston and Caiden (1994), Klingner, and Washington (2000) indicate that the study and practice of public administration in the United States tends to be parochial, little concerned about developments beyond America’s borders. They examine why this is, discuss its negative effects, and suggest an agenda for strengthening the development of an international and comparative perspective in public affairs education in the United States.

Klingner and Washington point out that our parochial perspective impedes our learning from the experiences of other countries. This leads us to overlook administrative practices or policy approaches that might be beneficial as we grapple with our own problems. They also suggest that our ignorance of public policy and administration outside of the United States removes a contextual framework that would improve our understanding of our own problems. To bring the benefits of an international and comparative perspective to American public administration, Klingner and Washington argue the need to reconceptualize international and comparative public affairs with respect to both process and substance. They argue for the development of relevant concentrations, but more importantly for full integration of international affairs in the full curriculum. The benefit of these developments would be a public affairs education that is richer in perspective, more fully grounded in a broad reach of experience, and capable of creating professionals prepared to think more creatively and effectively about our approaches to public policy and management. Their argument is a familiar one, reemphasizing points that international and
comparative scholars have made over the years, but the argument may have new cogency in the contemporary period of globalization.

Devereux (2001) suggests, like Huddleston, that American programs have been responding to international events and opportunities to broaden their curricula and extend the range of their activities. He notes recent concern with the processes of globalization and argues that this has created an important set of expectations: (1) that U.S. programs will have international dimensions facilitating the entry of their students into global career opportunities; (2) that programs will provide an education appropriate to the cultures and circumstances of their international students; (3) that there will be more interaction of public policy and management programs with other international activities on their campuses; and (4) external stakeholders expect the programs to have “significant international dimensions to their curricula, research, and outreach (Devereux, 2001: 242).” Devereux offers no data on how international orientations have entered public policy and management curricula, but does provide a systematic picture of the extent to which member schools of the Association for Public Policy Analysis and Management (APPAM) have been engaged in international outreach activities.

Devereux surveyed a sample of 56 of the 80 institutional members of APPAM about their international activities. Twenty-eight of the forty respondents (70 percent) indicated that they had participated in public policy and management activities outside of the United States. Of those engaged in international activities, 89 percent sent faculty overseas to teach special seminars or short courses, 64 percent assisted other countries in developing public policy and administration curricula, 50 percent established tuition/credit exchange programs, 50 percent sent faculty abroad to teach full-length courses, and 7 percent sent faculty to teach executive programs and engage in conference planning and participation.

These studies shed light on the importance of globalization, the need to broaden American public affairs education to incorporate global perspectives, and the degree to which American faculty are engaged in international outreach, but they do not clarify how or to what degree graduate public affairs programs are adjusting curriculum and program to respond to this substantial change in the context of public policy and administration. Devereux (2001: 241) does claim that “U.S. schools of public policy and management (PPM) recently have devoted considerable attention to the international content of their degree programs,” but offers little evidence on that score. Huddleston (2000: 665) also asserts that “an increasing number of MPA programs seem to be working globalization into their curricula,” but also offers no evidence.

Thus, we know that NASPAA has facilitated international engagement of public affairs faculty, as have grant programs of the U.S. Department of State, including those of the Agency for International Development and the Bureau for Cultural and Educational Affairs. We know that many American public affairs faculty have contributed to international efforts, providing technical assistance abroad and facilitating the development of professional degree programs in public administration across the world. But, we do not know whether this has influence the curriculum of public affairs programs to any significant degree. To fill this gap, the following parts of this paper examine the extent to which globalization and international affairs are featured in American public affairs programs. It does this by examining four questions:

- To what extent is globalization addressed in the mission of these programs?
- To what extent have programs introduced international affairs into the curriculum, either as part of the core or as an area of specialization?
- What components of international affairs provide the focus for specializations in this area?
- What might account for variations in attention to globalization and international affairs?

METHODOLOGY
The methodology for the paper is to draw on publicly available information about a sample of NASPAA programs. Approximately 250 academic programs in public affairs (public policy, public administration, public management, public service) belong to NASPAA. Of these, 216 provide information about their degree programs through NASPAA’s website. That information, in turn, provides links to the university programs’ own websites. To examine the extent to which American public affairs programs are responding to globalization by incorporating international concerns into the curriculum, I took a random sample of 43 programs (20 percent of the population). In addition, I analyzed all 36 programs that offer an international concentration. For the random sample of 43 programs, I reviewed the basic information provided about each program on the NASPAA website and obtained additional, more detailed information from the program’s own website. I reviewed that information to obtain answers to three questions:

- Does the program’s NASPAA description, web page, or mission statement identify globalization or international affairs as a feature of the program?
- Does the program’s core curriculum include a course that specifically addresses globalization or international affairs?
- Does the program offer a specialization with an international focus?

This first pass provides initial insight into the degree to which globalization is affecting public affairs education in America. If it is having a sustainable impact, it ought to show up in mission statements, program descriptions, the core curriculum, and areas of specialization. Within areas of specialization, it ought to show up in the development of specializations that feature central processes of globalization that go beyond diplomacy, defense, and international relations. The review of all 36 programs offering international concentrations helps clarify that picture.

This analysis has some obvious limitations. It is entirely possible that some faculty members are introducing aspects of globalization into their courses without showing them up in general curriculum descriptions and mission statements. In addition, about 40 NASPAA programs do not provide information through the NASPAA website. It is possible that those programs differ in some important ways from programs providing such information.

**FINDINGS**

The review of the 43 programs selected randomly from the NASPAA website reveals few that appear to make globalization or international affairs an important part of the MPA education. Review of the program description on the NASPAA website and the programs’ own website to see if the programs’ description of mission or the purpose of the public affairs degree program said anything about globalization or international affairs revealed, perhaps not surprisingly, that very few did. Only three of the forty-three programs made such mentions. In addition, a review of the titles and descriptions of the core courses for these programs identified only one course in each of four programs that mentioned either globalization or international affairs. Of interest is the fact that three of these were in programs that did not mention globalization or international in their program descriptions. This means that six programs (14 percent of the total) mention globalization or international in either the program description or a core course description.

I also examined whether programs are offering specializations that deal with international affairs. Of the 43 programs in the sample, 8 (18 percent) offer international specializations. Of those, seven made no mention of international in their program descriptions. And, none of those mentioned anything international in the descriptions of their core courses.

In the end, 13 of the 43 programs make some mention of international aspects of public affairs in their program descriptions, core course descriptions, or areas of specialization. This is slightly less than a
third of the programs and suggests that most American public policy and administration graduate students receive little or no exposure to international dimensions of public service. Their world is one without globalization. Tip O’Neill, former speaker of the U.S. House of Representatives, is famous for saying that “All politics is local.” It seems that for the American MPA or MPP student, on the whole, all policy and management is American.

To gain more insight into MPA programs that offer concentrations in international affairs, I also reviewed the 36 programs that are listed as offering international concentrations on the NASPAA website. Ten of these were also in the random sample. It turns out that three of these programs do not offer international specializations, at least so far as can be determined through information available over the web. The others offer a variety of different concentrations in international affairs. The foci range across foreign policy, development administration, international management, national defense, international policy, international development, international relations, international trade and finance, international security, and global public policy.

Reading information about these concentrations, one is struck by several things. One is their diversity. They carry many rubrics and vary considerably in content. A second is that the available evidence suggests little spillover from the concentration to the core public affairs curriculum. While some schools that offer international specializations take this as a part of their core mission, others seem to ignore global forces in their primary mission and core program. A number of schools, of course, offer a separate degree with an international focus. Well known examples would be the Woodrow Wilson School of Public and International Affairs at Princeton University and the School of International and Public Affairs at Columbia University.

The diversity of approaches to international affairs, as reflected in the names of the concentrations, is interesting. The 33 programs offer 44 international areas of concentration. The most common labels are international development (5 programs), international management or administration (5), international policy (4), and international relations (3). No other label is used by more than two schools. International public policy and management, international policy and development, international energy management and policy, international trade, comparative and international affairs, foreign policy and international affairs, and international public service are among the other labels adopted by programs.

Three general approaches seem to stand out among these diverse offerings. A review of the concentrations suggests the following important organizing principles: diplomacy and foreign relations, development policy and administration, and international policy and economic relationships. Needless to say, there is overlap, but these emphases show up frequently in course offerings and descriptions of specializations.

One final observation on these international concentrations--the programs offering them are generally located at elite institutions, either private schools with very visible programs or major state universities. Very few come from regional state universities or smaller institutions. Some are at highly specialized institutions like the Monterey Institute of International Studies and Naval Postgraduate School. The predominance of the elite institutions in the international arena shows up in another way. Sixty-eight percent (18) of the top 25 programs in the U.S. New and World Report’s (2004) assessment of the best graduate programs in public affairs offer specialization in international public affairs. This compares to 18 percent of the sample of programs reviewed for this analysis.

CONCLUSION

At this point, there is a very limited set of highly tentative conclusions that we can offer. In general, it appears that American public affairs programs expose their students, in general, to little or none of the international environment in which they will practice. Only six of forty-three programs in the sample incorporate international affairs in the core curriculum. This is less than 15 percent of the programs. This means that students wanting to learn about globalization or other comparative or international dimensions of public policy and administration must seek it out on their own. Those who are fortunate enough to be enrolled in a program that offers an international specialization presumably
have greater access to international courses. They also, of course, can develop an international concentration. That will prepare them well for the contemporary world of public affairs, but will do little to equip the vast majority of American administrators with necessary knowledge of the international environment and comparative policy and administration. And, only a third of programs offer this opportunity.

The conclusions have to be highly tentative because of the nature of the data reviewed to this point. At a minimum, we need to review syllabi to see what subject matter and readings faculty are exposing students to in their courses. That, and potential surveys of faculty, would tell us much more about the international preparation of American public policy and administration graduates.

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European Approaches to MPA Education: Convergence and Divergence

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INTRODUCTION

Is there a common European perspective on MPA education? Recent inventories of Public Administration programs (Connaughton and Verheijen, 1999) show that a common European perspective or ‘model’ of public administration education has not yet emerged. Public administration and public administration education is primarily a national undertaking (Raadschelders and Rutgers 1999, Rutgers and Schreurs 2000). However, under the influence of globalization and the speeding up of the process of the European integration, the content of public administration education is moving (Verheijen and Connaughton, 2003).

Although there are competing views on whether a European model of PA education exists or not, it seems that there is an agreement on the emergent converging need for public administration education to be internationalized (Olsen, 2002). The globalization and the increased European integration, interdependency and interaction have changed extensively the public administration and public affairs internationally, which has created the conditions for the international cooperation of the (M)PA education (Trondal 2002, Olsen 2002, Connaughton and Randma 2003, Verheijen and Connaughton 2003). The international cooperation (or internationalization) of MPA education has moved from being largely occasional, non-institutionalized towards becoming increasingly routine and institutionalized. In particular, this process has been accelerated by the European Union’s SOCRATES program and the ERASMUS MUNDUS programs (EC document).

The purpose of this paper is to offer a perspective on MPA education in Europe, from the experiences of one participant. Specifically, we wish to shed light on the dynamic processes of Europeanization and internationalization of MPA education. In order to have a better understanding on the current development of MPA education, first we look at the approaches to (M)PA education in Europe from a historical perspective (in section 2). Then our focus is directed towards the emergent converging and dynamic trend of international cooperation of MPA education in section 3. Section 4 provides an example of the MPA education in Europe by the case “European Masters of Public Administration” program of the Catholic University of Leuven, Belgium. We identify the main benefits as well as the problems and challenges facing MPA education in Europe in section 5. The final section (6) draws some tentative conclusions and presents a prospect for the future development of European MPA education.

A HISTORICAL PERSPECTIVE ON PUBLIC ADMINISTRATION EDUCATION IN EUROPE

The traditional approach to Public Administration education

Verheijen and Connaughton (2003) note that as an independent and integrated field of study in its own right, Public Administration is a relatively young academic discipline. The independent academic Public Administration programs have only become institutionalized and developed in Western Europe in the past four decades. Historically, Public Administration in Europe is rooted in a strong state tradition (ibid). Therefore, the study of Public Administration is traditionally constructed as a study of the state. The most often identified types of the European states in the PA literature are the Anglo-Saxon, Napoleonic, Germanic and Scandinavian states (Pollitt, 2002).
The diversity of state traditions inevitably results in considerable differences among the national styles of Public Administration thought and the approaches to PA education, especially related to the PA curricula (Stillman 1999, Raadschelders and Rutgers 1999, Connaughton and Randma 2003). For example, the PA and the major approaches to PA education in Anglo-Saxon tradition (e.g. the UK, Ireland) are centered on business administration and management, i.e. economics and management. The French tradition is characterized by an interdisciplinary approach to Public Administration, such as political science, policy science, administrative science and some other closely related interdisciplinary field of study. This approach manifested itself in France, then to a varying degree in a number of North and West European countries, such as Sweden, Belgium, and Spain (cf. Hajnal 2002). In Germanic tradition (e.g. Germany, Italy, and Portugal), the public administration paradigm, relying on the parallel concepts of the strong state and public law, was predominant throughout Continental Europe until WWII. The legalistic administrative culture views public administration as a well-running machine, executing detailed legal regulations. The PA education has a strong emphasis on legal subjects (Hajnal 2002, Connaughton and Randma 2003).

The evolution of (M)PA program as an academic discipline

The predominance of a legalistic approach to PA education has been continuously decreasing since the WWII; but it is improbable that the legalistic approach will be quickly replaced by either the public or the managerialist approach (Hajnal 2002). Hajnal (2002:254) argues that the development of the PA program is incremental, “more evolution than revolution.” This section looks at the evolutionary process of the PA as an academic discipline from a predominantly legalist approach towards interdisciplinary and multidisciplinary approaches. In this respect, Verheijen and Connaughton (2003:835-842) and Connaughton and Randma (2003:7-8) identify three types and approaches of academic programs in Public Administration in Europe: interdisciplinary, multidisciplinary, and Public Administration specialization integrated in other programs. All these have been evolved from the legalistic approach.

- **Interdisciplinary** academic programs in Public Administration are defined as programs in which public administration is studied from the integrated viewpoints of different disciplines, generally those of political science, law, economics and sociology. The subject ‘Public Administration’ is taught as the core of the program.
- **Multidisciplinary** programs typically do not include the subject “Public Administration.” Public administration is studied exclusively from the viewpoint of the different contributing disciplines.
- In some European states Public Administration does not (yet) exist as a separate field of study, but rather as self-standing specialization under law or political science or, less frequently, economics or business studies (Verheijen and Connaughton, 2003:835-842).

The emergence of specialized academic programs in Public Administration is a relatively recent phenomenon in Europe, although the study of governance and public administration has a long history in the European context (ibid). According to Verheijen and Connaughton (2003:836-838), Public Administration education in Europe has reoriented itself since the WWII. Some key points of the evolutionary development are as follows:

- First, the new Institutes d'Etudes Politiques (IEP) created in France in 1945, and later of the Ecole Nationale d’Administration (ENA), led to a fundamental shift in requirements for entry into the French administration. Law remains a core element in the preparation for entry examinations into the ENA and the civil service. Yet it no longer had a monopoly. The IEP designed an interdisciplinary Public Administration program. This development marks the beginnings of a fundamental shift in orientation towards Public Administration as a distinct academic discipline.
From the mid-1950s independent multidisciplinary and interdisciplinary university programs in Public Administration were created in a number of states. In Italy, Finland, Germany, Belgium and the UK, new programs in Public Administration were established between 1955-1970. The rationale for the creation of these programs was based on the perception that the civil service needed to become less legalistic. In the case of the UK, new programs were established primarily as a reaction to the report of the Fulton Commission in 1968, which called for a professionalization of the administration through the improvement of managerial and analytical capacities.

A second wave of development of new independent programs in Public Administration followed at the beginning of the 1980s in the Netherlands, Ireland and Portugal.

The development of Public Administration programs in Nordic states (except Finland), France, Greece, Spain and Austria is the creation of increasingly independent specialization in general social science or political science programs.

During the past two decades, and in recent years, Public Administration programs have also developed stronger links with programs in management or business studies as part of the general focus on management in public administration. These links are strongest in the UK with NPM movement and to a lesser degree, Ireland, but are also apparent in the Netherlands and in a selection of the Nordic states, especially in Finland.

A glimpse at the (M)PA education in some European countries

Although our main focus is on MPA education, it would be helpful to have some brief ideas on the general approaches to PA education in individual European countries. We take a quick look at a few characteristics of the (M)PA education in some European countries. The country we choose corresponds to the typical state tradition stated above, namely, the UK (Anglo-Saxon tradition), France (Napoleonic tradition) and Germany (Germanic tradition). We will also present Belgium in later section 4 since our case ‘EMPA’ program from the Belgian Catholic University of Leuven (note 1). The major characteristics of the (M)PA education in UK, France and Germany are presented below:

Table 1.

<table>
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<th>Country</th>
<th>State Tradition</th>
<th>PA disciplinary characteristics</th>
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| UK      | Anglo-Saxon    | - In the late 1960s and 1970s, the teaching of PA as a subdiscipline of Political Science was complemented by the emergence of specialist vocational undergraduate programs. These programs were multidisciplinary, drawing not only on politics but also on other subjects relevant to a public service career, such as economics, social policy, organizational studies, management studies, finance and law.  
- When student demand declined during the early 1990s, several courses were closed and those that have remained have been redesigned as public policy programs or public management programs within business schools.  
- Postgraduate courses lead usually to specialist MSc awards in the management of public services or form part of general management development programs for the Diploma of Management Studies or the MBA.  
- Applications of public choice theory, focus on British experience of NPM  
- The study focus on both central government and local government  
- The politics and administration of the European Community have become a well-established sub-discipline of politics |
The development of administrative science is inextricably linked to a particular French model of the state. The uniqueness of the state rests on the combination of two phenomena: the social autonomy of the state and the social supremacy of the state.

Influenced by administrative law as PA studied through the prism of legal texts

In the 1960s, the legal, the managerial, and the sociological models in PA were grounded were tearing the study apart. This period of doubt had come to an end by the late 1980s, thanks to the emerging paradigm of public policy. In conclusion, PA remained wedged between legal dogma, public management theory, and political science and thus has difficulty staking an exclusive claim of its subject of interest

PA programs dominated by judicial thinking and methods

Focus on historical bases of state, public law, institutions, legal system and their analysis

Multidisciplinary and interdisciplinary approach (to complement legal education, other disciplines enter. PA is taught not only within programs which specialize in PA but also in political science, social science, or business administration, psychology and ethics, etc.)

The above descriptions indicate that the PA programs in different administrative cultures have been evolving over time. The processes of European integration have created the momentum for these evolutionary changes in PA as an academic discipline (Connaughton and Randma, 2003). In addition to the disciplinary status of PA as an autonomous field of education, there is another issue related to the education curriculum that attracted much interest: the degree, to which European and international issues are emphasized in university curricula (Hajnal, 2002). The following section will turn to these European and international issues by examining the dynamics of Europeanization and internationalization experiences of MPA education in Europe in some detail.

EUROPEANIZATION AND INTERNATIONALIZATION OF MPA EDUCATION-AN EMERGENT CONVERGING NEED AND TREND

MPA programs with a strong European dimension

Why is or should a European dimension be emphasized in MPA programs? Many reasons account for this. One is that with the speeding up of the process of European integration, the work of the civil servants in national administration is increasingly permeated by European business. This requires that civil servants become equipped with an understanding of the decision-making procedures and policies of the EU institutional systems as well as administrative cultures and practices in other EU member states. The gradual increase in administrative cross-border cooperation in Europe also requires the civil servants working at local, regional or central government level act internationally. This in turn, requires the Public Administration programs provide them with adequate knowledge and appropriate skills to work in the European arena. To this end, the Public Administration programs need to develop with strong European dimensions and international perspective (Verheijen and Connaughton, 2003).
Second, to develop the European Dimension in education at all levels is to strengthen the spirit of European citizenship, drawing on the cultural heritage of each member state so that the PA students have better knowledge, better understanding, and greater awareness of the education, administration, and culture diversity in Europe. This European dimension can also reveal a critical view of their own systems and situations through a transnational approach (Gordon 2001).

What is the European dimension? The European dimension is not an abstract concept. It is found in practice and in context. It is defined by series of small steps taken within specific projects, such as inclusion and integration of a number of European and comparative courses in core curricula of academic Public Administration programs (Connaughton and Randma 2003, Verheijen and Connaughton 2003). The many European projects on PA education also contribute to the European dimension. Through these projects, European academics and administrations can establish networks to work together in exchange of expertise, good practices and methods by use of information and communication technologies. This will make them feel that they are part of a larger community of interests and ideas and will enhance their belongingness and sensitivities to European affairs (Gordon, 2001). To initiate these European projects, the EU, especially the European Commission has played an important role.

The role of EU in promoting the European dimension and internationalization of MPA education

In promoting the European dimension as well as the internationalization of MPA education in Europe, EU has played an important role in terms of making policies, initiating projects, and contributing financial support.

Because MPA education operates within the broader EU higher education framework, the EU higher education policies have influences on MPA education and its internationalization strategies. Therefore, in this section, we take a brief look at the EU higher education policies. Then we turn to present the EU projects that have facilitated the MPA education internationalization. The patterns of internationalization of MPA education will be addressed in two dimensions: the internationalization of MPA education within European context and the internationalization of MPA education beyond the border of Europe.

The EU policies facilitating internationalization of European higher education

The EU institutions, including the Council, have taken an interest in the European dimensions of education, hoping to make young people more conscious of European ideas and of being European (Beukel 2001: 131, cf Olsen 2001: 9). The most recent major policies in facilitating the European dimension and the internationalization of higher education are based on (1) Sorbonne Declaration, (2) Bologna Declaration, (3) Prague Communiqué, and (4) Lisbon Recognition Convention.

The Sorbonne Declaration aims at the harmonization of European higher education system and making European universities comparable in terms of excellence with universities all over the world, especially with the United States of America. The international recognition and attractive potential of European systems are directly related to their external and internal readability (Kahn, 2002). To this end, LMD (licence, master, and doctorate) framework is formulated, which corresponds to the standard structure throughout the world. The L refers to the BA (Bachelor of Arts); M refers to the MA (Master of Arts) and D refers to the Ph.D. (Doctor of Philosophy or doctorate).

The main objectives of the Bologna Declaration are to create a common European higher education area, that can:

- promote European cooperation concerning the content of education, particularly with regard to curricula development, integrated programs of study, training and research, inter-institutional cooperation
- increase student and academic staff mobility
develop a system of credits as an appropriate means of promoting student mobility

The Prague Communiqué targets at assessing the progress and setting priorities to meet the main goals of the Bologna Declaration. The Lisbon European Council Convention of 2000 aims at building knowledge infrastructure, enhancing innovation and economic reform and most importantly, modernizing education systems (Lisbon Council, 2000). Following the Lisbon Convention, the Barcelona 2002 European Council meeting set a goal for European universities becoming “world quality reference” by 2010. It is apparent that after all these policy formulation, the European Commission is clearly “enlarging its field of operation and policy implementation in education” (Van Der Wende 2003, Kwiek 2003).

The EU programs and projects in facilitating MPA internationalization

With regard to the internationalization of higher education and the MPA education, two EU programs are worth mentioning here. One is the SOCRATES-ERASMUS program; the other is the ERASMUS MUDUS program. The former supports European cooperation, and the latter extends the cooperation beyond Europe, i.e. with third countries (EC documents).

The SOCRATES-ERASMUS program-to promote internationalization within Europe

SOCRATES has acted as “a window of opportunity” for developing European activities in and with universities. As the sub-program of SOCRATES, ERASMUS is regarded as the “flagship of the EC educational program” (Wit and Verhoeven, document). ERASMUS was in fact, launched in 1987 as a program facilitating student exchange. The focus of the ERASMUS program is to promote the European dimension in universities by intensifying European cooperation and opening access to learning opportunities across the European Union. The main participating countries are within Europe, including the EU Member states, the EEA countries (Iceland, Liechtenstein and Norway) and some associated countries (EUROPA document). According to Wit and Verhoeven, the ERASMUS accounts for at least 55 percent of the overall budget of 920 million euros of the SOCRATES 1995-1999 program. Funded by SOCRATES, we mention here the Thematic Network in Public Administration. It is interesting to note that this network build upon the earlier network that organized Erasmus student exchange and transfer of credits.

THE THEMATIC NETWORK IN PUBLIC ADMINISTRATION (TNPA)

SOCRATES is the sponsor for Thematic Network in Public Administration (TNPA). The TNPA is a vital so far in facilitating the European dimensions of the MPA education and its internationalization activities. Therefore, it deserves some elaboration. We present some key features of TNPA, which could be helpful in understanding the internationalization experiences of MPA education in Europe with regard to: (1) the concept (2) the aim and objectives, (3) the strategies and approaches (4) the main activities. The references in this section draw heavily from European Commission documents. Therefore, if no special indication, the references are from those documents.

What is TNPA?

The Thematic Network in Public Administration (TNPA) represents a network of 122 Higher Education Institutions and Associations throughout Europe. It consists of higher education institutions with undergraduate and postgraduate programs in Public Administration and/or Public Management. The number of professional groups and associations is likely to further increase in the future as strengthening links with the profession is a key theme in the network’s strategy. The network includes the principal universities active in the PA discipline and is thus representative of the current developments in Public
Administration. Its extension is an ongoing objective in order to attempt to involve the optimal number of institutions with academic programs in the subject area.

The TNPA operates as a platform to facilitate and generate discussion on how to develop a European dimension to PA programs and the development of the discipline; to finalize the implementation of the strategy to overcome shortcomings in strengthening the attention for the pan-European dimension in higher public administration studies.

The aim and objectives of the TNPA

The main goal of the TNPA is the development of a greater European dimension in Public Administration and Public Management programs. The network provides a platform for the exchange of information concerning Europeanization and facilitates dialogue between Public Administration teaching institutions in Europe. The provision of such a network, which encompasses the principal institutions involved in Public Administration education in Europe, and the integrated activities of the Thematic Network aim to positively contribute to the challenges and transformations that national Public Administration systems are encountering as a result of the European Integration process. Simultaneously, the projected results of the TNPA may also be perceived as a positive input to the goal of meeting the demand of supplying policy relevant education and knowledge to practitioners working at the various levels of government.

The mission of the first TNPA project “Europeanization of Academic Programs in Public Administration 1997-2000” is to diagnose the state of the art regarding the study of the European dimension in Public Administration programs and related courses in Western Europe, and Central and Eastern Europe; and to design a strategy to overcome shortcomings in order to strengthen a pan-European dimension in higher PA education.

The aim and objectives of the second TNPA project “building the European Dimension of Academic Programs in Public Administration: creating networks for strategic action” are:

- to create and stimulate networks for the implementation of the strategy for the Europeanization of academic PA programs through piloting, establishing and sustaining activities in improving the availability of comparative PA data and programs, links with the profession, East-West relations and accreditation.
- to create a sense of urgency and opportunity among relevant stakeholders, particularly at directional and managerial levels within PA programs and related departments about the need to bring their programs and courses offered in line with the expectation of better European programs and to encourage greater participation and information exchange within the partnership in order to develop the European dimension of Public Administration education and other dimensions of the Socrates program.
- to strengthen links with other existing networks and associations in order to facilitate and sustain cooperation with groups such as NISPAcece (Network of Institutions and Schools of PA in Central and Eastern Europe), and the European Group of Public Administration (EGPA), and with various established research groups in comparative PA willing to translate their projects into innovating, ICT supported teaching and training modules.
- to support the EAPAA (European Association for PA Accreditation) in stimulating the debate on and dissemination of quality control, evaluation and accreditation, in developing quality standards and in preparing and organizing a series of pilot accreditation projects among outstanding programs in PA as a benchmarking, learning and standard setting experience.
- to promote links between universities and higher education institutions offering courses in Public Administration, training institutions providing in-service training and potential employers and professional organizations, both at the national and at the European level through the development of an international internship program and the development of transnational networks linking universities and public administrations.
• to explore opportunities for closer Trans-Atlantic cooperation, and to include the Euro-Mediterranean Partnership in TNPA activities to stimulate cooperation with the Mediterranean partners.
• to contribute to the development and consolidation of EPAN (European Public Administration Network), which strives to build a sustainable basis for the activities of the Thematic Network and the promotion of the European dimension in PA teaching (note 2).

The strategies and approaches

The major implementation strategy to turn the proposed network strategy of the first TN project into effective reality is to create a series of interconnected and operational strategic initiatives, preferably by key figures in the field. The core areas of institutional development of a network are to promote and stimulate the attention for quality in academic PA teaching by:

• engaging in the debate on core curriculum development in PA and spearheading and carrying out European accreditation activities in PA
• joint production of European PA education through joint teaching modules
• joint degree programs
• joint training of young professionals in doctoral networks and summer schools, creating platforms where practitioners and academics meet through thematic workshops, internships, and career guidance systems.

The TNPA project 2001-2004 is centered on the idea of stimulating innovative reform at the operational level in which Public Administration education is delivered by creating networks of strategic action. This strategy outlines different fields of action. For each element of the strategy, a working group has been established:

• Better European programs
• Joint curriculum development
• Summer schools, accreditation
• Doctoral network
• Links with the profession
• Institutional development (East-West relations, Euro-Mediterranean partnership).

The main activities of the TNPA

The above six main modules account for the major activities by the TNPA in facilitating the international cooperation of the MPA program. Limited by page, we illustrate with only two examples in this section.

► Joint Curriculum development

The TNPA supports the development and sustainability of the existing joint curriculum programs like the European Masters of Public Administration (EMPA) program. Participating universities are Leiden, Rotterdam, Budapest, Speyer, Liverpool, Vaasa, Tartu and IEP Paris. This exchange-based degree program aims to provide students with a comparative understanding of public sector structures, policies, and process in Europe as well as with a good methodological approach for analyzing the differential structures and processes of public sector management, guidance and control.

The working group concentrates on the Quantitative Analysis of European PA university programs – Phase II project, to be finalized in 2004/2005. The Phase I project has resulted in a number of important insights into the field of emerging European Public Administration education as well as in the creation of a workable method of compiling and analyzing program information. The Phase II project,
“European PA education in a comparative view” seeks to extend these results and to make them more sustainable. In addition, the working group undertakes the establishment of the courses syllabus catalogue, to be put on the EPAN website. The purpose of the project is to construct a database of courses syllabus in the Public Administration field.

**Summer Schools**

The annual Summer School is organized by EPAN (The European Public Administration Network, a network devoted to advance the study and teaching about Public Administration in Europe) with the help of ERASMUS funding. This school relates to various other schooling initiatives already undertaken by the membership of the Network. By establishing and continuing the organization of Summer Schools, the Network aims to motivate young teachers to Europeanize their courses by introducing topics related to European institutions and their impact on national administrations and policy processes on the one hand, and to institutions and policies of other European nations and sub-national governments in a comparative perspective on the other. Another objective of the Summer Schools is to supply young lecturers with the methodologies required to make teaching and learning processes more effective and attractive. Such methodologies include approaches founded on problem based learning, use of comparative case studies, ICT and others.

The first EPAN 2002 Summer School was held at Leiden University (The Netherlands) under the title: “Europeanization, Institutional Analysis and Public Administration.” The second Summer School continued focusing on the double goals of strengthening the research competences in comparative public administration in a European context, and developing the pedagogical competences of the participants. Basically, the 2003 Summer School in Bratislava was to imbue the students with a solid understanding of the dynamics, processes and principles guiding public policy management from a truly comparative perspective in a European context. The teachers of the Summer School are acclaimed scholars in their respective fields, with extensive research and teaching experience in Public Administration. The selected topics include: “European Policy Management from a Comparative Perspective”, “Political-Administrative Relations in the Policy Process”, “Multi-level Governance in the European Context” or “Implementation in a Comparative Perspective.”

The 2003 Summer School was a cooperative effort between EPAN and NISPAcee, joining their respective Western and Eastern European traditions and resources in Public Administration practice and teaching (EPAN application 2004). The second objective of the 2003 Summer School was the improvement of pedagogical skills for the participants, particularly learning how to use case studies in teaching and the betterment of lecturing techniques. The third Summer School took place at the Catholic University of Leuven in 2004.

After each Summer School, a certificate is issued by EPAN and the cooperative university for example, the NISPAcee (The Network of Institutes and Schools of Public Administration in Central and Eastern Europe).

**THE ERASMUS MUNDUS PROGRAM-TO PROMOTE INTERNATIONALIZATION WITHIN AND BEYOND THE BORDER OF EUROPE**

The ERASMUS MUNDUS program is a cooperation and mobility program in the field of higher education with the overall aim to enhance the quality of European higher education and to make EU as a center of excellence in the world. The program fosters cooperation with third countries and endows EU-funded scholarships for third-country students and scholars participating in the program’s master’s courses, and for EU-nationals studying in the third-countries. It aims at improving the development of human resources and promoting dialogue and understanding between peoples and cultures. The Commission supports European cooperation projects that highlights improving the brand image, visibility and accessibility of European higher education or which deal with the international dimension of quality.
assurance, of credit recognition, of mutual recognition of qualifications with third countries, of curriculum development or of mobility.

According to Martinez (2003), the Commission Parliament and Council has adopted the proposal for Erasmus World in 2002, with a planned budget for 2004-2008 200 million euro, is under consideration by the Council and the Parliament, which has called for the budget to be increased to 300 million euro. The main instruments for internationalization include:

- Agreements with the USA and Canada, which were renewed at the start of 2001 for five years
- The Tempus program, which covers the countries of the Former Soviet Union, the western Balkans and Mongolia, and which was extended in June 2002 to the EU’s Mediterranean partners
- The Alfa and Alban programs for Latin America
- Asialink, which involves many countries in Asia
- Pilot projects with Australia and Japan

Compared with the SOCRATES-ERASMUS program, the participants of the ERASMUS MUNDUS program have extended to the institutions from all countries of the world, which means that the cooperation is not only among institutions within Europe, but also with the institutions beyond the border of Europe. Because this program is relatively new EC initiative, it is not feasible to illustrate its activities in detail and assess its effectiveness. The information here is based on the draft proposal of European Commission and the Internet (Web).

THE BELGIAN MPA EXPERIENCES

The PA education in general

According to Beyers and Plees (1999), Connaughton and Randma (2003), and some internal documents, we present first some disciplinary characteristics of the PA education in general; then we give an example of the EMPA program of the KULeuven.

- In general, PA in Belgium is a relatively young field of study, rooted in Law, but with a new generation in political science and sociology.
- Teaching of PA is located within political science departments.
- PA curricula has considerably developed since its original administrative law focus and has gradually come to include core courses on management and public policy.
- Rational choice perspective is rather limited in Flemish PA teaching. Explanatory frameworks more generally rely on organization theory and on historical institutionalism.
- Theoretical and methodological issues are emphasized (with the increasing attention on research methodology).
- The principles taught in PA courses include values that are located at both sides of the dichotomy--politics and administration, although some management masters may emphasize the three E’s (efficiency, economy, and effectiveness) more than the three P’s (Politics, power and participation).
- In recent years, a lot of attention is devoted to the European dimensions of PA. The European integration is relatively well-covered in the EMPA program, to a lesser degree, is local governments.

THE EMPA PROGRAM--EUROPEAN MASTERS OF PUBLIC ADMINISTRATION

The aim of EMPA
The goal of the EMPA program, taught at the Catholic University of Leuven, is to equip students with advanced academic training to gain a comparative understanding of public sector structures, policies and processes and to master the methods for analysis of public administration, public policy, and public management. It has an explicit European orientation, which includes the study of institutions and policies of the European Union. Two basic topics are emphasized. One, is the issue of convergence and divergence of public administration, policies, and management in European countries. Another, is the question of how the characteristics of the different systems of public administration within Europe, relate to national and sub-national perspectives on the issue, processes and institution of European integration, both within and across the borders of the European Union (Brans and Pelgrims, 2002).

The courses (core and elective courses)

Verheijen and Connaughton (2003) contend that the number of courses offered on European integration and comparative Public Administration is one indicator of Europeanization; another more important indicator of the degree of Europeanization is whether these courses are part of the core program. Looking at the core courses and some elective courses offered by EMPA program, we note that the core courses of the EMPA program underscore the importance of Public Administration from a comparative perspective, and with strong European dimensions. Some elective courses examine as well the local and regional aspects of Public Administration. We present some recent years’ core courses and some elective courses (that slightly change in different academic years) in the table below:

<table>
<thead>
<tr>
<th>Core</th>
<th>Perspectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative Public Administration in Europe Seminar Comparative Administration</td>
<td>Comparative, European dimensions</td>
</tr>
<tr>
<td>The Economics / Political aspects of European Integration</td>
<td>Critical thinking with research design and methodology</td>
</tr>
<tr>
<td>Comparative Public Management (in Europe)</td>
<td>Economic, Political, European dimensions</td>
</tr>
<tr>
<td>European Policy-Decision Making : advanced course</td>
<td>Comparative, OECD, European dimensions</td>
</tr>
<tr>
<td>Comparative Public Policy in Europe</td>
<td>Political, European dimensions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Elective Courses</th>
<th>Perspectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Institutions, Politics and Policies</td>
<td>Political, regional</td>
</tr>
<tr>
<td>Constitutional Law of the European Union</td>
<td>Law, European dimensions</td>
</tr>
<tr>
<td>European Social Security Law</td>
<td>Social</td>
</tr>
<tr>
<td>History of European Integration</td>
<td>Historical, European dimensions</td>
</tr>
<tr>
<td>Managerial Aspects of European Integration</td>
<td>Economic, European dimensions</td>
</tr>
<tr>
<td>Political Aspects of European Integration</td>
<td>Political, European dimensions</td>
</tr>
<tr>
<td>Comparative Federalism</td>
<td>Comparative, Political, Economic</td>
</tr>
<tr>
<td>European Security and Conflict Management</td>
<td>Social, European dimensions</td>
</tr>
<tr>
<td>Political Problem Solving in Culturally Divided Societies</td>
<td>Political, cultural</td>
</tr>
<tr>
<td>Judicial Protection in the European Union</td>
<td>Legalistic, European dimensions</td>
</tr>
<tr>
<td>Selected Problems of International Law and the Law of International Organizations</td>
<td>Legalistic</td>
</tr>
<tr>
<td>Current Developments in European Integration</td>
<td>European dimensions</td>
</tr>
<tr>
<td>Political and Legal Changes in Central and Eastern Europe</td>
<td>Political, European dimensions</td>
</tr>
</tbody>
</table>
THE INTERNATIONALIZATION EXPERIENCES OF EMPA PROGRAM

The internationalization of higher education in Belgium

In recent years, the KULeuven has taken several steps to position itself internationally. The main elements of its internationalization practices are the cooperation with foreign universities on a bilateral and multilateral basis, developing European programs (e.g. SOCRATES, ERASMUS), and promulgating international course programs (EMPA, Master of Arts in European Studies, International Study Program on Statistics) (Heffen, Verhoeven, and Wit, document). In the following section, we focus on the EMPA education internationalization experiences.

The network for internationalization of EMPA

The EMPA program has developed from a network, supported by the European Commission’s Erasmus bureau, of different universities, which all participate in the student exchange program. The network attempts to balance the relations between East-West, North-South. After several years’ development and expansion, the current EMPA consortium consists of the following universities:

- Erasmus Universiteit Rotterdam-Department of Public Administration (Netherlands)
- Rijksuniversiteit Leiden Department of Public Administration (Netherlands)
- Hochschule Fur Verwaltungswissenschaften in Speyer (Germany)
- Katholieke Universiteit Leuven, Department of Political Sciences
- University of Liverpool, Institute of Public Administration and Management
- University of Vaasa, Department of Public Management (Finland)
- Budapest University of Economic Sciences, Center for Public Affairs Studies and the International Studies Center (Hungary)
- University of Tartu, Department of Public Administration and Social Policy (Estonia)
- Institut d’Etudes Politiques de Paris (France)

The patterns of internationalization of EMPA

► Student exchange program

The EMPA program started in 1990 as an exchange program for master’s students in Public Administration. Students enrolled in the program of their home institutions, took one semester abroad at a network institution. Students who successfully completed course work and exams at home and partner institutions, as well as the dissertation, received an EMPA certificate, signed by the participating institutions.

To facilitate the network program and exchange, the partner institutions agreed on:

- standards for student entry
Some considerations of a joint degree program 1994-1995

In the mid-1990s, it was considered to use the exchange program and the joint certification as a step towards further consolidation. The network entertained the idea of establishing a joint degree program – Joint Master’s in Public Administration.

The development of a joint degree program demands a certain standardization of the basic units of education, such as credits, number of courses and lectures, workload, and the identification of necessary hours and or credits. More important, however, is the establishment, in mutual consensus, of the necessary mastery of knowledge of Public Administration, which is required at the successive stages of the joint program.

In preparation of the joint degree program, the EMPA network prepared joint standards on:

- entry and recruitment
- implementation of student exchange
- content of the program
- periods of attendance
- course work requirements
- student supervision
- examination
- evaluation of dissertation
- granting of degrees

It further has to agree on issues of finances and fees, exchange of personnel, promotion and publicity, and the inter-institutional bodies of the program.

The procedural and institutional translation of agreed standards into a joint degree program, however, proved impossible for several reasons. Problems were engendered by the unequal spread of benefits and costs over the partner institutions. Different student financing and fees traditions within the network prevented originating sufficient funds to run the program and to equally spread costs and benefits. Therefore, it was decided by the partners to proceed with the EMPA program with joint certification. Many of the principles laid down in the draft joint degree proposal, however, are still valid under the certified program.

Joint certification and deepening the program

Although the idea of joint degrees was abandoned in the mid 1990s, the EMPA partners proceeded to work on the basis of agreed standards without formalizing these in a joint degree program. The Bachelor-Master reforms in all European countries, however, initiated the program in which students now enroll at the home universities, institutionally more similar. Student funding and fee traditions, nevertheless, remain diverse and make a return to joint degrees not favorable. Moreover, partners believe it is no longer necessary to establish a joint degree. They consider joint certification on the basis of joint standards and trust sufficient and wish to deepen the network activities in practice through less formalized but not less effective means. It is interesting to note though, that the new Erasmus Mundus program is exactly looking for the kind of joint degree that was designed in the mid-nineties by the EMPA program.
Now the format of student exchange is this: students who enroll at their home universities can take one semester abroad at one of the partner institutions and whose dissertations are jointly evaluated are eligible for an EMPA-certificate, on condition they successfully complete coursework, examination, and dissertation requirements. This certificate supplements the degree awarded by the home institutions. For example, a student enrolled in the EMPA program at the University of Liverpool becomes a master in Public Administration, and earns an EMPA certificate.

The institutions of the EMPA program

The EMPA program is managed by the EMPA Consortium, consisting of representatives of the partner institutions. The Chair is rotated every year. Since 2000, before transferring the chair, at the annual EMPA Consortium meeting, the incumbent chair delivers an EMPA lecture. The partner institutions assign faculty members for representation at the Consortium, who are responsible for student exchanges within the network, and for furthering the EMPA agenda.

BENEFITS, PROBLEMS AND CHALLENGES TO INTERNATIONALIZATION OF (E)MPA EDUCATION IN EUROPE

Benefits

Gordon (2001) investigates the impact of the internationalization of the PA program on individuals and their organizations and finds some major benefits of internationalization activities by using questionnaires and interviews. Three of them are worth mentioning. In addition to the benefits to students, which apparently correspond to the aims of the internationalization program, there are also benefits for institutions, and for academic staff. We present here the latter two benefits.

Benefits for institutions
Through participating in or managing international projects such as SOCRATES, institutions can have outside funding, which give access to activities and products that would otherwise have not been possible. In that sense, the international programs like SOCRATES sponsor a funding structure that creates a “window of opportunity,” and a channel for profiling and imaging. The project approach also contributes to the quality of the institutions’ working methods and the types of materials used. It fosters project management skills, gives the participants the experience of organizing international meetings, improve their team working skills and enhances interactions within the staff, and between staff and students). All in all, the experience opened up the institution to the outside, to Europe and even to the rest of the world. Participating in a SOCRATES project is felt to have significant repercussions, particularly on small organizations, encouraging them to think “European” (Gordon, 2001).

Benefits for the academic staff
Through the internationalization activities, staff members can develop new skills such as in languages, project management, information and communication technologies and managing budgets, and improve areas of professional competency and better team working, as well as better knowledge of an area of work through project activity and transnational cooperation.

The benefits of internationalization are one side of the coin. We should not neglect the other side of the coin. The internationalization of the program does present some problems and challenges. We turn to this point in the following section.

Problems and challenges

Some problems and challenges encountered in the internationalization process are listed as below
(Gordon 2001, some internal reports from Wit and Verhoeven, TNPA project, Brans and Pelgrims 2002).

With regard to the mobility of the students, they may be reluctant to go abroad due to:

- lack of financial support
- lack of affordable or suitable accommodation
- inadequate knowledge of a foreign language and of certain cultural aspects,
- Visa problems due to strict bureaucratic regulations in awarding visas
- Short stay of the students raises the question whether they can really learn anything of the other culture.

The problems and challenges at the institutional level and European level are also apparent, which can hinder systematic and systemic approaches to internationalization. For example,

- The credits awarded at different universities are not always considered to be compatible.
- Inadequate funding or lack of continuity in funding
- Lack of suitable staff
- Difficulties in cooperating with partners in other European countries
- The overall administrative overload
- The plethora of detailed rules and regulations that ERASMUS entailed
- Difficulty in incorporating all the internationalization activities into the day to day work or into existing curricula.
- Systemic approaches are in great need, which should be based on a policy direction with clear objectives and a well-developed strategy to achieve them at national as well as institutional levels
- The SOCRATES grants fund very small numbers of teachers in comparison with the total eligible population. The numbers are unlikely to increase substantially in the short term due to the fund constraints.
- The challenge is that the teachers who learned and benefitted from the fund can disseminate information about the course and what they have learned in a broad range of accessible ways so that more benefits could be drawn from the experiences of the beneficiaries.
- Whether SOCRATES can contribute to fundamental change in the education systems requires greater political will, a more organized strategy and a high level of coordination and cooperation among actors at the different levels. It also necessitates the political will of the member states and the means to go with it.
- Problems of sustainability of the efforts of a European project if lack of support
- Given the larger picture, most projects, whether implemented within the SOCRATES context or others, had difficulty in sustaining the hoped for outcomes, whether because of shortages in time and resources, or lack of commitment from individual academics or a shortfall in political will.
- The challenge is the empirical tests about the assumptions and models concerning the dynamics of changes of the internationalization programs
- The benefits from SOCRATES depend on the implementation of a strategy adopted locally and nationally, which needs to be consistent and long term. Formulating such strategy will need to include a reflection on the types of obstacles to be overcome, general financial issues, the need for some forms of recognition or acknowledgment in reward or qualification terms, the need for recognition of work through financial reward or time allowance, etc.

Though there are many problems and challenges, the internationalization process is progressing. In the next section, we look at some future steps in overcoming the problems and meeting the challenges in order to improve MPA education and its internationalization strategies and practices.
A FUTURE PROSPECT

First, with regard to future deepening the EMPA program, Brans and Pelgrims (2002) write, the EMPA partners are committed to deepen the EMPA program through:

► An extension of student exchanges. On this issue some EMPA partners are faced with solving the following problems:

• European funding for student exchange has become scarce in recent years, and students’ willingness to participate in exchanges is hampered by financial considerations.
• Master’s programs in Public Administration increasingly attract international students beyond European borders. Students from other continents are less willing to take a second semester abroad, after having familiarized themselves with the institutions and countries of the home institutions.
• Semester exchange may have to be replaced by other more flexible tools of exchange – pooling of international students for short modules, summer schools.

► An extension of faculty exchange

• When students cannot attend another institution, other institutions can reach them. In recent years, there has been an increase of faculty exchange, either in short-term format, or in a longer-term format.
• Faculty of Leiden and Budapest have taught at the University of Leuven, and faculty of Leuven at the University of Tartu and the University of Budapest, either through the provision of a taught course, or the delivery of guest lectures.

► An extension of joint teaching material: physical exchange of students and staff can be complemented by the development of joint course material.

• The development of joint modules within the EPAN network is particularly interesting in this respect.
• Other activities to be developed in the future are case material. Some institutions consider building a PA case catalogue, which could be extremely useful for comparative EMPA courses.
• It is considered by the EMPA consortium to inaugurate an annual series of papers by faculty members of the partner institutions.
• The network is interested in the experience of other institutions with the drafting and exchange of case material for teaching.

► Joint evaluation standards:

• The EMPA program has developed dissertation guidelines that will be used by students and faculty, for the redaction of dissertations and their evaluation, the latter of which is a joint enterprise. These guidelines specify quality standards on the content and analytical maturity of EMPA dissertations. They were drafted along the model used at the Department of Government, London School of Economics.
• The EMPA Consortium plans to update the EMPA Handbook, which contains all information of the program at the partner institutions, relevant for both students and faculty.
• The EMPA consortium plans to collect other evaluation standards at different partner institutions, and at other institution, to further joint evaluation practices. It is particularly interested in comparing its dissertation guidelines with those used at other European Universities involved in PA teaching.
In sum, the European integration has impacted upon the Public Administration program throughout Europe. The further the European integration, the more important it becomes to generate a meaningful comparative understanding on varieties of the Public Administration and the PA education. Public Administration programs need to respond to the proliferation of European integration and to the forging of closer relations with the network of European administrations and PA institutions. There is no consensus in the literature on the extent of convergence on a common European model on teaching Public Administration (Olsen, 2002). Divergence of MPA education is likely to continue for quite some time with a variety of administrative models, but a gradual convergence of MPA internationalization process is under way. What is of utmost importance is not to assess the extent of the convergence or divergence, but to coordinate all possibilities nationally and on a European scale and make the most effective use of them to benefit the Public Administration and Public Administration education in Europe.

NOTES

1. In 2003, the program’s name changed from EMPA to MEPP (Master in European Politics and Policies); the content, however, has only changed marginally.
2. In fact, in recent years, the TNPA network meets under the name of EPAN.
3. Most of this section refers to the article written by Brans and Pelgrims (2002) although without special indication of the references.

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Ethical Competencies for Public Service: Educational and Pedagogical Implications

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The new context and character of public service—shifting values, entrepreneurship, information technology, multi-sector careers, internal economic and external security threats—requires that the public service be led by consummate professionals steeped in ethical as well as technical competencies.* Ever since George Washington required “fitness of character,” service to country has been regarded as more than a matter of mere technical skill. Competence also included personal honor, a view shared by Theodore Roosevelt who believed that, “To educate a man in mind but not in morals is to create a menace to society.” The obligation and privilege to uphold this ethos—to act as stewards of the common good—remains a hallmark of democratic governance. The concern for ethics, then, is founded upon the capacity of government to exercise power, a function that is moral in nature since policy decisions are the authoritative allocation of societal values.

Accordingly, professionals must not only do technical things right, but also do ethically right things. What is needed is not only the technical ability to analyze problems, but also the capacity to grasp those problems in a manner consistent with professional rectitude. Leaders without basic ethics skills are professionally illiterate. This is what makes the execrable scandals of recent years so devastating—the worst form of incompetence is not knowing how to do something, but not knowing why. The centrality of ethics in management, then, is undeniable. It is not an imposition or constraint, but the foundation of everything a professional is or does.

To assume anyone with good character can act honorably in professional situations is no more sensible than suggesting that someone can function as a physician without special training. While values are imprinted at an early age, the real question is how they are applied at the workplace. Professional socialization can equip leaders to anticipate problems, recognize when they occur, and provide frameworks for thinking about issues; it affects not only ethical awareness, but also moral reasoning and behavior (Rest and Narvez, 1994, Menzel, 1997; Menzel with Carson, 1997; Bruce, 1996). Without this preparation, individuals may rely on technical proficiency (in fact, doing things right can become a dominant moral code), unexamined personal preferences, passive obedience to authority, and/or unquestioned organizational loyalty. This paper discusses the crucial role of ethics in MPA curricula by first briefly examining individual moral development and organizational integrity, and then by exploring the implications of these topics for master’s programs.

PROFESSIONALS AND MORAL DEVELOPMENT

The key theory of moral development was formulated by Lawrence Kohlberg (1971). This hierarchical, inclusive taxonomy posits that people develop moral maturity by moving gradually from stage to stage in each of three levels:

- pre-conventional level moral reasoning reflects punishment avoidance (stage one) or an instrumental orientation (stage two); the person is self-interested and either fears or uses others.

- conventional level thinking regards right behavior as conformity to expectations of significant others (stage three) or allegiance to the broader social order (stage four); the person’s point of reference is a group, either small and personal or large and political.
post-conventional judgments are derived from the moral autonomy resulting from critically examined values in the social contract upon which the social order is constructed (stage five) or from adherence to transcendental ethical principles (stage six); the individual is an independent actor as moral precepts trump the social expectations found at level two and the self interests in level one (see Exhibit 1).

Exhibit 1. Kohlberg’s Stages of Moral Development with Behavioral Orientation

<table>
<thead>
<tr>
<th>Level</th>
<th>Perception</th>
<th>Stage Orientation</th>
<th>‘Right’ Behavior</th>
<th>Reference Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preconventional</td>
<td>Outside Group</td>
<td>1. Punishment &amp;</td>
<td>1. Avoid punishment,</td>
<td>1. Physical consequence of action</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Obedience</td>
<td>Defer to power</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Instrumental</td>
<td>2. Satisfaction of</td>
<td>2. Human relations are</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Relativist</td>
<td>own needs</td>
<td>like a marketplace</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>helps others</td>
<td>behavior</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>social order</td>
<td></td>
</tr>
<tr>
<td>Conventional</td>
<td>Inside Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>rights, free agreement</td>
<td>agreement, social utility</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>ethical principles</td>
<td>justice, human rights</td>
</tr>
</tbody>
</table>

Source: Adapted from Kohlberg, Lawrence (1971), pp. 164-65.

It is fitting, therefore, that professionals strive to make decisions at the highest level of moral development. They cannot form judgments solely from the self-interested level one perspective. Level two thinking also may be inadequate because some social roles are unjust (law enforcement officials in the Jim Crow American South; physicians in Nazi Germany). Level three reasoning, however, prevents abuse of professional skills for one’s own advantage or for that of one’s social group. The idea is not to deny self or collective interest, but to temper them in light of a higher claim of human dignity (Snell, 1993). Professionalism, in short, requires dedication not only to technical capacity but also ethical excellence. It is unthinkable for the professional to do otherwise when grappling with important problems.

ORGANIZATIONAL INTEGRITY

Individual-centered ethics is necessary, but not sufficient for understanding the full scope of professional ethics. Since employees are susceptible to workplace influences, organizations are also important. People may make judgments based on personal standards, but institutions define and control the situations in which decisions are made. That is, organizations are major agencies of social control; ethical behavior is not only a psychological phenomenon, but also a sociological one.

For purposes of analysis, Kohlberg’s stages can be adapted and condensed into two organizational approaches (Exhibit 2). The personal, negative, punitive, "Low Road" compliance strategy derives from his lower stages of moral development. This policy is important for without it a comprehensive ethics program may lack credibility. Yet it concentrates on individuals, defines ethics as staying out of trouble, emphasizes "symptom-solving," and often uses ethics to control behavior instead of encouraging improvement. If this approach represents the lowest common denominator, then the “High Road” strategy symbolizes the highest common denominator. A structural, affirmative, commitment system (based on the more mature stages of Kohlberg’s framework) is aimed at deterring, rather than merely detecting, problems by promoting right behavior. Instead of stressing blame and punishment, the
approach focuses on reform and development. A robust ethics strategy, described below, likely will include elements of both plans (although not necessarily in equal proportion).

**Exhibit 2. Comparing Organizational Strategies**

*Low Road*

Ethos: conformity with external standards  
Objective: Prevent criminal conduct  
Leadership: Lawyer-driven  
Methods: Training, limited discretion, controls, penalties  
Assumption: People driven by material self interest

*High Road*

Ethos: Self governance according to chosen standards  
Objective: Enable responsible conduct  
Leadership: Management-driven  
Methods: Education, leadership, accountability  
Assumption: People guided by humanistic ideals


Creating an ethical institutional culture is no more easily achieved than developing individual moral maturity (White and Lam, 2000; Trevino et al., 1999; Gilman, 1999). In an organizational age, instruments of leadership are often corporate in nature. Indeed, the centerpiece of a comprehensive ethics program is a code of ethics. While the value of codes is certainly arguable (Exhibit 3), they can play significant aspirational and operational roles when seen as a means to a larger end. The critical issue is how these documents are developed and what goes with them in order to make them meaningful in daily management.

Like any organizational initiative, the impetus to create (or reinvigorate) an agency code must have authentic leadership support. The actual strategy, produced and implemented by a representative employee taskforce, begins with a self-generated needs assessment to gather information, encourage participation, conduct workshops, and create a shared vocabulary. Depending on the results, the plan could include:

- advice mechanisms and reporting channels (e.g., an independent advisory ethics board, due process grievance procedures, a toll-free whistleblower number (see, e.g., www.hotlines.com), an ombudsman)
- decision making tools (e.g., rotating appointments of an "angel’s" advocate tasked to raise ethical issues in staff meetings, and/or formulating “ethical impact statements” prior to major decisions)
- promotion activities (posting the code in departmental offices as well as reprinting it in agency newsletters and reports; recognizing exemplary cases in an awards program)
- personnel system changes (revising recruitment, training and performance evaluation processes, including identification of ethical dimensions of jobs in position descriptions and whistleblower protections against retaliation)
periodic ethics audits (conducting document reviews, vulnerability assessments, employee interviews and surveys, evaluations of existing systems) to provide an on-going appraisal of program effectiveness.

**Exhibit 3. Debating Codes of Ethics and Conduct**

Standard Affirmative Arguments Contend that Codes:
- acknowledge the moral character of democracy
- honor transcendental ideals of self-government
- provide a symbolic basis for public expectations
- inspire moral behavior in public service
- offer a “shield” of protection for employees
- furnish a frame of reference to legitimize the discussion of workplace ethics.

Standard Negative Arguments Maintain that Codes:
- lack utility because they are either too vague (aspirational codes of ethics) or too precise (legal codes of conduct)
- contain contradictory provisions and/or no priorities among them
- foster the official hypocrisy and public cynicism that they are designed to prevent when not enforced
- focus on employee obligations to the employer to the exclusion of organizational responsibilities to foster ethics.

Source: Bowman et al. (2004): 83 (used with permission).

The objective is to make the code a living document by offering opportunities to participate in its development and evolution, infusing its values into the routines of the organization, providing procedures for its interpretation, and ensuring its enforcement. In the absence of an ethics initiative, business-as-usual expediency and an “anything goes” mentality is likely to dominate, condoning untoward behavior, reinforcing amorality, and discouraging ethical action.

**EDUCATIONAL IMPLICATIONS**

Education for public service must be an enterprise of both intellect and spirit, an endeavor that engages one’s sense of worth, purpose, and responsibility (Frederickson, 1997). As the discussion above suggests, this is more than simply understanding how to accomplish an important task; it also means comprehending inherent duties, rights, and privileges in one’s self and one’s organization. The analysis below presents an individual-based decision-making tool appropriate for use throughout the curriculum. This is followed by a brief discussion of an approach to enhancing the daily environment of public administration education.

**INDIVIDUAL-BASED DECISION-MAKING TOOL**

The essential issue of ethics is, as Socrates said, “What ought one to do?” However, no unified theory, no one secular approach, resolves all moral dilemmas. If philosophers cannot agree on competing models (e.g., utilitarian, duty, or virtue ethics), then why should public servants? The reason is that they must be able to defend their judgments: professionals, by definition, are obligated to develop virtues, respect rules, and consider consequences. A decision making tool, the “ethical triangle” (Svara, 1997 as adapted in Bowman et al., 2004), recognizes the complementarity and interdependence of the imperatives
in these three schools of thought (Exhibit 4). Each point of the triangle provides a distinct filter to clarify and reframe different aspects of a situation. Operating inside the triangle helps prevent the shortcomings of each approach as its angles inform and limit one another.

Exhibit 4. Ethical Triangle

- Following orders blindly
- Rigid application of rules
- Letter rather than spirit of law

Rules

Justice/Fairness

Ethical Triangle

Greatest Good

- Expediency
- Self-serving behavior

Results

Integrity

Virtue

- “Everybody does it”
- “I can’t be bought by…”

Key: Inside the “rounded rectangles” are examples of nonethical or unethical behavior or attitudes resulting from narrow application of the approach.

Source: Bowman et al. (2004): 72.
Generally speaking, when considering the results point of the triangle, the critical question is, "Which decision has the most utility in serving the greatest good for the greatest number?" In contemplating duty-based ethics from the rules part of the triangle, the key question is "What decision best carries the weight of universality?" (i.e., "What if everyone body did that?"). Last, from the virtue ethics angle, one might ask, "Who am I?", "What would a person of integrity do?" or "How can I best achieve excellence in this circumstance?" Although the synthesis developed from triangulation analysis does not tell one how or what to do, it does offer guidance to handle the situation.

Of course, developing answers to these questions will not satisfy everyone; that is hardly the point since the triangle cannot produce a final, perfect decision for all seasons. Instead the decision making process highlights a key function of ethical management: generating alternative viewpoints, systemically evaluating them, and crafting a considered judgment. The result is not a muddled compromise but a conscious attempt to reconcile conflicting values. Indeed, this is difficult to do which is why these decisions are not easily made. This eclectic technique to adjudicate matters of right and wrong is very demanding. Yet in light of the shortcomings of each point of the triangle, there is little alternative; such an ethic is necessary given the complexity of the human condition. When choices are guided by benevolence, creativity, and an ethic of compromise and social integration—a moral tenet of democracy—there is at least the satisfaction that the problem has been fully examined and that the result can be rationally defended.

The goal is to strive for balance; governance is not geometry, but the art of the possible. It is an imperfect world where no one gets all he or she wants. In ethics, as in the rest of life, there are no magic answers. Differences between theories, nonetheless, should not lead to despair or the conclusion that one is as good as another. Better to have an imprecise answer to the right question than a precise answer to the wrong question.

In fact, a narrow, overreaching application of a single approach at the outer reaches of the triangle (Exhibit 4) at the expense of the others holds considerable dangers: expediency (consequentialism), rigid rule application (duty ethics), and self justification (virtue ethics). Instead the task is to consider the issues from each viewpoint and make an informed judgment. Professionals can do no less. Ethical quandaries are maddeningly intractable—and hauntingly unavoidable. Still if they cannot be conclusively resolved, then that only means how fundamental they are; the fact that decisions are hard does not stop them from being made.

The ethics triangle, then, like a good map, offers choices, not formula. Just as a map outlines a journey, the triangle provides help in making the inevitable compromises. As Aristotle admonished, do not expect more precision from the subject matter than it can allow. Professional ethics is more like an art than a science; instead of expecting definitive technical solutions, an aesthetic perspective appreciates that conflict is essential and productive. “Great art is beautiful precisely because of tension, not in spite of it” (Anon., 2002). Like the artist, the professional creatively combines differing influences. The need for judgment is not eliminated, but rather the triangle enables the skilled management of ethical ambiguity and independent thinking.

ORGANIZATIONAL-BASED DECISION-MAKING APPROACH

Public affairs and administration faculty commission men and women into the public service profession. As such, faculty serve as the conscience of the field. Faculty may view ethics education as an important personal and professional duty and one that can be effectively discharged in the classroom. Yet since many departments do not have regular ethics offerings, this obligation apparently occurs as a part of other classes in the curriculum. How this happens is unclear; not only are faculty primarily trained in and concerned about the technical components of the profession, but also the field lacks course-specific ethics modules.

There is a distinct possibility then of "false consciousness," a discrepancy between espoused values and actual behavior. A substantial difference may exist between what faculty believe should be an important function in their schools and what they and their programs seem to really do. Students are not
likely to become reflective practitioners unless they are confronted with their moral responsibilities in a systematic manner. Observations about American sex education in the 1950s—it is expected to happen without explicit discussion and tragedies result—may well apply to public administration ethics education today.

There may be no one best way to address this situation. Two not necessarily mutually exclusive approaches derived from the classical Greek tradition (Jennings, Nelson, Parens, 1994: 4) represent the ethical and technical aspects of the profession. The Athenian mode represents a polity of free, skeptical inquiry that cultivates the "habits of the mind," while the Spartan view symbolizes a state dedicated to inculcating civic virtue and developing character by nurturing" habits of the heart."

The strategy chosen—or more likely the combination of academic strategies—must fit the ethos of the institution. And it should, write Jennings et al. (1994: 7), neither be "so modest as to invite skepticism nor so robust so as to invite dogmatism" (see Bowman and Menzel 1998 for a variety of specific approaches in public administration). Since knowing what is right is a necessary but not sufficient condition for doing right, whatever plan is developed, it should be "home grown" by faculty and students, codified into an integrity code (Bowman, 2000), and endorsed by institutional leaders (especially by providing genuine support to the faculty). At the core of such a "just community" approach (one that involves going beyond curricula matters to school organization and development of an authentic commonweal) are regular, open meetings to discuss real life issues (Trevino and McCabe, 1994).

CONCLUSION

The issues here do not lend themselves to easy resolution or even agreement. In many programs they are poorly articulated and comprehended, a taboo subject at the periphery, instead of at the center of professional socialization. Yet professional schools, by definition, have a special responsibility to take the initiative to restore ethics to a significant place in the curriculum. No program can afford to create the impression that ethical concerns are somehow not particularly important. A responsive, effective, ethical public service demands no less in this age of uncertainty.

The curricular presence of ethics, then, is an uncertain one. Available evidence (Bowman, 1998) suggests rather clearly that the expertise of the public administration professional with a master's degree largely consists of merely possessing technical skills. The classic definition and vow of a professional—excellence in both technical competence and moral character—is either ignored entirely by many programs, tacked on the end of other courses in some, or an optional part of the curriculum in still others.

Interested professors might get a class approved, especially if it is not part of the required core. But when confronted by a panoply of existing courses that all faculty must teach and students must take, the problem is to get the ethics elective on the schedule and to persuade students to take it. It is not difficult to see how benign (and ultimately malignant) neglect sets in. Under such conditions, it is understandable if some faculty develop an inferiority complex about the topic. Rather than being able to simply assume that excellence in character is key to the profession (what good is technical competence if those who possess it are corruptible?), they must deal with the strongly held contrarian views.

The study of ethics extends one's ordinary moral experience by making it explicit, clearer, and more consistent because it helps articulate why certain actions ought to be taken. The purpose of such a study should be "to uncover hidden assumptions, unexamined values, and to treat ethics with all the rigor and discipline that other fields already receive" (Callahan and Bok, cited in Catron and Denhardt, 1994,53). Such education includes, inter alia, these goals: consciousness-raising, decisionmaking skills, ethical conduct, tolerance, democratic values, and an awareness of the moral obligation of public service.

How can this best be done? The desirability of integrating ethics into the entire curriculum, as opposed to a separate course, flounders on several critical problems: faculty are primarily trained in and concerned about technical training, and the profession lacks course-specific ethics modules. The result is that there is little (if any) emphasis in course descriptions and syllabi, an occasional mention in class discussion, and perhaps a brief add-on at the end of the term. Although there is little evidence to the contrary, it nonetheless can be hoped that this is not the norm. If it is, then the professoriate bears much
responsibility for whatever amoral attitude exists in the profession.

The answer to the question above, then, must be not only a single required course (such classes generally constitute less than one-twelfth of the curriculum), but also the integration of ethics into core courses. As Catron and Denhardt point out, this two-fold approach helps avoid the impression that ethics is a separate topic irrelevant to other subjects while simultaneously recognizing that public administration is animated by ethics.

Public administration ethics education, to conclude, is similar to a house of cards. Its construction has been difficult and exciting, but its frame is weak. It rests upon intermittent elective courses that reach a small proportion of the student body. And its neighborhood is crowded with numerous required "how to" classes that clearly signal their perceived importance. "Ethics," Michael W. Jackson points out, "is one of the languages of the world" (1990, 166). Not learning to use it means that we will become unable to think clearly about ethics, and thus will become professionally illiterate. If public administration programs cannot "seize the day," then they must forfeit any claim to an authentic understanding of not only ethics but also management, and of what it means to be a profession. There is no time like the present to set higher standards.

*Portions of this paper are adapted from Bowman et al. (2004) and Bowman (1998).

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Enhancing Public Service Education Through Experiential Learning: Building Management Capacity and Enriching the Educational Experience

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INTRODUCTION

The growing emphasis on professionalization of public service and education occurred after the establishment of the American Society for Public Administration (ASPA) in 1945. As a newly created national organization, ASPA assumed an advocacy role “to advance generally the science, processes and art of public administration” (ASPA, 2004, para. 6-7). With this chartered mission, ASPA articulated its position to strengthen and improve administrative management practices in government as well as to promote the idea of professional education for public service. The response of the academic community was significant and the institutions of higher learning started organizing educational programs for students interested in preparing for careers in public service. A variety of educational programs were organized in the area of general public administration, urban management, citizenship education, and the training of public managers in general management.

As these public service education programs grew in number, size, curricular innovation, and diverse educational needs of the students, the need for regulating and creating professional standards for training public managers led to the establishment of the National Association of Schools of Public Affairs and Administration (NASPAA) in 1970s (NASPAA Overview, n.d., para. 1). Since its inception, NASPAA has played a vital role in the professionalization of public service education by identifying the development of the most desirable values, knowledge, skills, attitudes and behaviors as part of professional expectations and standards. The design of the curricular structure has been from the very beginning influenced by these expectations, standards and diverse educational needs. The following programmatic requirements matrix summarizes the current curricular structure of selected NASPAA programs:

FIGURE-1
PROGRAMMATIC REQUIREMENTS MATRIX FOR SELECTED NASPAA MPA PROGRAMS

<table>
<thead>
<tr>
<th>Curricular Structure</th>
<th>Educational Goals Articulation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Values</td>
</tr>
<tr>
<td>Program Core Courses</td>
<td>Human Resources Management (7)</td>
</tr>
<tr>
<td></td>
<td>Organizational Theory and Behavior (9)</td>
</tr>
<tr>
<td>Citizenship and Politics (1)</td>
<td>Health Care and Policy Administration (2)</td>
</tr>
<tr>
<td>Program Specializations</td>
<td>Program Electives</td>
</tr>
<tr>
<td>-------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Democracy and Public Service (1)</td>
<td>Cross Sectoral Governance (1)</td>
</tr>
<tr>
<td>The Role, Context, and Ethics of Public Administration and American Society (1)</td>
<td>Legal Environment and Public Administration (3)</td>
</tr>
<tr>
<td>Intellectual Foundations in Public Administration (1)</td>
<td>Modeling and Decision-Making (1)</td>
</tr>
<tr>
<td></td>
<td>Accounting and Finance for Public and Nonprofit Organizations (1)</td>
</tr>
<tr>
<td>Human Resources Management (4)</td>
<td>Management in Nonprofit Organizations</td>
</tr>
<tr>
<td>Human Rights and Social Justice</td>
<td>Comparative and International Public Administration</td>
</tr>
<tr>
<td>Public Budgeting and Financial Management</td>
<td>Local Government Management</td>
</tr>
<tr>
<td>Social Policy and Health Care</td>
<td>Public Management</td>
</tr>
<tr>
<td>Urban Policy</td>
<td>Environment Policies and Administration</td>
</tr>
<tr>
<td>Organizational Development</td>
<td>Political Communication</td>
</tr>
<tr>
<td>Social Theories</td>
<td>Organizational Communication</td>
</tr>
<tr>
<td>Universal Requirement *</td>
<td></td>
</tr>
</tbody>
</table>

Source: The information for the preparation of the above matrix is compiled from the curricular structure of the NASPAA programs representing comprehensive schools, health sector management education, non-profit management education, political science based programs, as well as other small programs.

* Although NASPAA did not take the position to mandate internship requirement for all programs, it did support the idea that all Master’s Degree programs in Public Administration should consider internship experience as vital part of public service education.

The overall structure of academic curricula contains a set of core requirements, program specializations, program electives and the required internship experience. Over a period of time, this curricular structure has undergone changes in terms of its intellectual focus, academic contents, changing educational and skill development needs, and the impact of emerging technologies on public management practices. This evolving nature of the academic curriculum is characterized by a variety of pedagogical innovations, flexibility of educational mission, diversity of curricular structures, and the incorporation of some new dimensions into the academic curricular design. For instance, a significant number of courses focusing on data/information management systems, statistical and quantitative analysis, computer competencies, micro-macroeconomic analysis, calculus, accounting, and the behavior and economic consequences of non-ethical conduct or integrity have now been added to the majority of graduate programs that focus on public policy analysis, program evaluation, and administrative responsibility. However, the internship component appears to be a universal requirement among all two hundred and fifty NASPAA accredited programs (NASPAA General Standards, 2003, p.2). The internship guidelines
governing the experiential learning process have been constantly modified or updated to make the practical experience more meaningful in the educational training and professional development of graduate students preparing for careers in public service. In furtherance of these educational goals and the mutual interests, the ICMA Advisory Board and NASPAA together concluded that high quality internships should be made available for MPA students. The internship guidelines, either formulated by NASPAA in 1977 (NASPAA Guidelines, 1977, p. 1) or jointly established by ICMA and NASPAA in 1992 (ICMA/NASPAA Task Force on Local Government Management Education, 1992, p.1) for local government management education, set up norms and expectations for managing purpose, curriculum, administrative value, citizen participation, policy making analysis, leadership behavior, development of managerial skills, strategic planning and the structural design of internship programs (ICMA/NASPAA Task Force on Local Government Management Education, 1992). The Model Internship Guidelines jointly established by The International City/County Management Association (ICMA) and NASPAA present an updated statement on the purpose of internships, duration and timing, placement, supervision, compensation, evaluation and the key principles of practical experience, the mentoring process, networking opportunities, and exposure to council-manager forms of government (ICMA Advisory Board on Graduate Education and the NASPAA Urban Management Education Committee, 2003). Therefore, the purpose of this paper is to examine the programmatic designs, management processes and the learning outcomes of various aspects of experiential learning in public service education.

CONCEPTUAL DEVELOPMENT: AN EVOLUTIONARY PERSPECTIVE

Conceptually, the internship idea is as old as the development of human civilization and involves the sharing of knowledge with the younger generation. This concept in practice has been associated with human learning since the early stages of human interaction in the “hunter-gatherer” stage (Green, 1997, p.9). In the ancient societies of Mesopotamia, China, and India, vocational apprenticeships were an important practice in the learning process in the areas of medicine, education, vocational trades and small business. During ancient times there were no systematically organized educational programs, but the dissemination of knowledge from one generation to the other occurred through the process of “learning by doing” and observing. With the evolution of the modern higher educational system and specialization, vocational training and academic learning separated. Gradually, experiential learning became a primary means for training skilled workers (Stanton & Ali, 1982, p.2). After the industrial revolution, the distinction between experiential learning and educational training became more pronounced until the end of the 19th century, when John Dewey first introduced the philosophy of progressive education (Scannell & Simpson, 1996, p.13). Since then, “Academic programs in agriculture, engineering, teaching, medicine, and theology have offered strong hands-on components” (Green, 1997, p.9).

World War II further emphasized the need for more highly educated political leaders, and professional public administrators (Reining, 1941, p.286). Since then, public service educators have realized that predominately theoretical learning was no longer effective as the sole means for training professional administrators (Reining, 1941, p.287). As Chester I. Barnard observed: “Knowledge of a science of organization or administration can never be substituted for specific experience in a specific organization” (Simon, 1957: xliii). John Rizos, former internship program coordinator at the School of Public Administration at the University of Southern California, considered “the internship experience as an administrative capability building process” and observed that “exposure to the working structure of government strengthens the understanding of administrative institutions, processes, behavior, and interrelationships” (Chauhan, 1978, p.101).

As public service education has become more widespread among institutions of higher education in the United States, the concept of the academic internship has become an important educational tool for training professional public managers. This concept creates an enriching bond between learning and practice that can benefit both the intern and the administrative agency. The role of academic institutions is to create an effective connection between the dissemination of theoretical knowledge and the
development of practical skills. In *Standards for Professional Masters Degree Programs in Public Affairs, Policy, and Administration*, NASPAA articulated that:

“A carefully planned internship experience shall be made by the program and students who lack a significant work background shall be strongly encouraged to take advantage of it. The program shall provide on-going academic supervision. Internship programs generally reflect NASPAA’s internship guidelines” (NASPAA Standards, 1977, p. 9)

The NASPAA *Public Service Internship Guidelines* further state that “the purpose of the public service internship is to provide the student with a work experience to him/her and realistic exposure to an organizational-bureaucratic environment…give the student an opportunity to become aware of his/her obligations to the profession and to the public interest” (NASPAA Guidelines, 1977, p.1-2). These guidelines not only identified the purpose but also focused on various aspects of the management of the experiential process such as placement, duration and timing of the internship period, supervision, and evaluation. Although NASPAA has not taken a position or mandated internships as a universal requirement for all professional masters’ degree programs in public administration, it maintains that “experiential learning should be considered an indispensable element of public affairs/administration programs” (NASPAA Guidelines, 1977, p.2).

**TYPES OF INTERNSHIPS: ACADEMIC-PRACTITIONER INTERFACE**

The use of internship experiences have become an integral part of public service education in the United States. A large variety of internship programs have been established by academic institutions involving various political-administrative agencies at Federal, State and Local levels of government. Similar internship programs have been established by non-profit organizations and intergovernmental agencies. The purpose, design and the duration of the internship experience differs among various administrative jurisdictions. Based on territorial levels of governmental authority, internship programs operating within the United States can be classified into three broad categories: academic-administrative, intergovernmental, and academic-nonprofit (Chauhan, 1977, p.199). The process of globalization has brought into existence a new category of experiential learning that may be called “global internships.” They are mostly related to Information Technology (IT), biotechnology and management information/communication systems. These internships add some unique dimensions to experiential learning because such experience normally takes place either in international organizations or in multinational corporations operating in foreign countries such as India, China, Singapore, Malaysia, and the Chinese territory of Hong Kong. Several prestigious academic institutions in the United States and United Kingdom have established academic centers to provide their students with an opportunity to acquire internship experience in the areas of information technology, business management and biotechnology. The institutions that have organized such programs include: Harvard, MIT (Sloan School of Management) Johns Hopkins, Cambridge (UK), Cornell India Center, University of Pennsylvania (Wharton School), and Stanford internship placement arrangements in Bangalore and Shanghai. Some of their interns are placed in such companies as Infosys and Consultancy Services, and the biotechnology company Biocon (Ganapati, 2004, p.28 A).

The process of the academic-administrative internship involves an academic institution and a government agency where the intern has been placed. The Intergovernmental Personnel Act of 1970 also created the process of experiential learning through an academic-administrative exchange of personnel facilitating the sharing of knowledge and technical know-how among academic institutions and government agencies at various levels of government. Although of recent origin, there are a significant number of academic institutions that have organized educational training in the area of non-profit management. They also require their students to acquire practical experience by serving in a non-profit organization or agency. In summary, experiential learning is a goal-oriented process that facilitates “career exploration, skill development, developing contacts, testing a particular field and being evaluated
for a future job opening” (Bohlmann, Curtis & Newhouse, 1999, p.22). In this regard, internship experience may serve as a transition from education to service.

The most prestigious internship programs organized by the federal government include the Presidential Management Fellowship Program, Government-wide Acquisition Management Intern Program, Office of the Secretary Management Intern Program, and the Financial Management Career Intern Program. Almost all the state governments provide some type of public sector management internship programs. For example, the state of Ohio has a comprehensive legislative intern program which is administered by the Ohio Legislative Commission. The more highly structured and attractive internship programs organized by cities include Phoenix, Kansas City, and Washington (DC). The U.S. Congress and other State legislatures have also developed internship programs of their own. Counties that are located in highly urbanized metropolitan areas have also established internship programs to attract public administration graduates from leading academic institutions in the country. For instance, the internship programs of Dade County (Florida), Orange County (California), Cook County (Illinois) and Nassau County (New York) offer the internship experience in a metropolitan setting to those students who are interested in seeking careers in local government management.

As internship programs grew in number, importance and complexity, the National Society for Experiential Education as well as other organizations recognized the need to help prospective interns find relevant information in a consolidated publication profiling the requirements, terms, and conditions for various internship programs. They have published a number of Internship Directories offering information on experiential learning or internship opportunities to students seeking careers in government, business, the nonprofit sector and international/multinational organizations.

MANAGING THE EXPERIENTIAL LEARNING PROCESS

The role of various actors and processes utilized by different academic programs varies according to the academic mission and the nature of their interactive relationships. Management of the academic-administrative internship and the experiential learning process involves purpose, planning, placement, compensation, supervision, evaluation, measurement of outcomes and feedback. For the purpose of our analysis, these factors are consolidated into four major categories. Figure 2, representing this model of the academic-administrative internship management process.

**FIGURE 2**

![Academic-Administrative Internship Management Process Model](image)

**Planning and Goal Setting:**
- Information Exchange,
- Establishment of internship program,
- Type of experience and qualifications required,
- Interagency agreement,
- Internship requirements,
- Time specification, individual career goals,
- Learning goals to be achieved,
- Remuneration,
- Budgetary constraints,
- Selection procedures.

**Experiential Learning and Supervision:**
- Placement, Work assignment,
- Structured supervision, Shared experience, Knowledge exchange,
- Guidance and counseling, Promoting understanding of management processes (leadership, communication, decision making),
- Delegation, Organizational social dynamics, Political constraints,
- Budgeting, Organizational analysis, and administrative reporting.

**Evaluation:**
- Knowledge, skills and abilities development,
- Relevance and quality of learning, Intern-supervisor relationship,
- Understanding of management techniques and processes, Fulfillment of training needs,
- Interagency relationship, Promotion of intern’s career goals.

academic-administrative internship management process, includes planning and goal setting, experiential learning and supervision, evaluation, and feedback. Planning and goal setting includes information exchange, the process of establishing the internship program and delineation of various goals and restraints. Experiential learning and supervision involves the development of the work assignment and management processes including leadership, communication and decision making. An evaluation process generally includes knowledge, skills and abilities assessment, relevance and quality of learning and promotion of the intern’s career goals. As the academic-administrative internship management process evolves, feedback, or communication of the experiential outcomes between the student, academic advisor and agency supervisor, is fundamental to a successful program.

PARTICIPANTS RELATIONSHIPS AND ROLE IDENTIFICATION

The academic-administrative internship management process has three major actors that include an academic institution, an administrative agency, and an intern. In this interactive process, the learning goals and objectives of the intern remain the focal point. The management of the experiential learning process requires that there must be a “clear-cut” delineation of the participant’s role and responsibilities. Furthermore, the student’s commitment and the support provided by the academic advisor and agency supervisor must be directed toward serving the legitimate educational and experiential goals or interests of the student. The interactive relationships among the intern, the academic advisor and the agency supervisor are provided in Figure-3

FIGURE-3
PARTICIPANT RELATIONSHIPS IN ACADEMIC-ADMINISTRATIVE INTERNSHIP PROGRAMS

It is important to recognize that it is the understanding and the quality of these interrelationships that will determine the final outcome of the internship experience. There are some elements of the management process that should remain the focus of the intern’s learning. These include decision making structures, political dynamics, managerial and leadership processes, organizational value systems, fiscal analysis and policy constraints, motivational needs, organizational polices and procedures, the acquisition of technical know-how, and the ethical dimensions of administrative behavior.
EVALUATING EXPERIENTIAL LEARNING OUTCOMES

The methods or procedures utilized in evaluating the outcomes of experiential learning vary according to the size, strength, and resources of the academic program. The evaluation process is much more comprehensive and systematically organized among those NASPAA MPA programs that are housed in either comprehensive schools of public affairs or a separate department of public administration having significant functional autonomy within the larger institution. For instance, the Office of Career Services at Harvard University maintains a very comprehensive program for the evaluation of internship experiences. There are several other institutions that have highly organized evaluation programs such as those established by the University of Southern California, The Goldman School of Public Policy at the University of California–Berkeley, the Hubert Humphrey School of Public Affairs at the University of Minnesota and the Rockefeller School of Public Affairs at the State University of New York–Albany. Specific procedures for evaluating the learning outcomes utilized by most programs include: 1) preparation of a journal outlining the day to day activities of the intern; 2) an internship report at the conclusion of the internship period; 3) a comprehensive experiential paper to be evaluated by the academic advisor; and 4) an internship seminar at the conclusion of the assignment to promote collegiality and the sharing of experience through an oral presentation to former alumni and other returning interns.

PROBLEMATIC DIMENSIONS: SOME UNFULFILLED EXPECTATIONS

Although the process and procedures designed to evaluate the final learning outcomes are not perfect, experiential learning is a very useful educational tool to build management capacity and enrich the experience of public administration graduates. Despite continuing efforts to improve the experiential learning process, some of the major problems characterizing the weaknesses of the management of internship programs include: finding a meaningful assignment for the intern, a lack of planning and communication between the three main actors, perceptions of supervisors regarding the intern’s time as cheap labor, absence of effective supervision, and the inability of the intern to confront intra-agency conflict.

Depending on the strength, experience and availability of resources in a particular program, the quality of the outcome is expected to vary. First, one of the major problems which the smaller programs with meager resources face is to find a meaningful assignment for the intern. Rather than being involved in decision making, policy analysis and problem solving processes, interns end up performing routine tasks such as organizing meetings, secretarial functions and working as a “helper” to executives. They also suffer from the lack of a full time internship coordinator who may provide more effective and continuing attention to planning, placement, supervision, and feedback. Additionally, former interns are not fully utilized to share their experiences and networking with others who may be interested in seeking public service internships. Second, a lack of communication to facilitate the exchange of information in a coordinated and consistent manner constitutes a major problem. Since most internship program decisions are ad-hoc by nature, there has to be some degree of consolidated information constantly being communicated between the academic institution and agency supervisor. Some of the problems related to communication may be sorted out during the planning and supervision process. Third, there are certain supervisors who tend to perceive the availability of the intern’s time as cheap labor because of uncertainty about availability of resources or other fiscal constraints. It should be noted that the internship is not solely a job seeking device, but also an exploration in search of a suitable career. Fourth, most supervisors do not have adequate time to do work planning for the student’s internship and supervise his/her activities regularly as they are preoccupied in taking care of their own responsibilities. Fifth, the interns are not fully prepared to face intra-agency conflict because they have not been exposed to this kind of problem before. This dilemma puts interns into a situation in which they are rendered as passive observers of organizational politics. Sixth, the evaluation process for assessing the learning outcomes is often ad hoc in nature among most smaller and medium size MPA programs. The evaluation process must
be institutionalized and adopted as an ongoing activity. Seventh, the smaller programs with meager resources often struggle in attracting quality interns and competing successfully against well-established and comprehensive programs that provide an attractive compensation to the prospective interns. Despite some of these weaknesses in managing the academic experiential learning process, the internship programs organized by the federal government, large cities, and metropolitan counties do not experience some of these difficulties in managing the experiential learning process. For instance, the internship programs offered by cities like Kansas City, Phoenix and the metropolitan counties like Dade and Orange Counties are well financed by their respective local governments and offer very attractive compensation package to new interns who are recruited through a nationally organized competition.

CONCLUSIONS

The internship experience has become an important training and educational tool to facilitate experiential learning among public administration graduates. It provides a unique opportunity through “welding knowledge and experience” together in building management capacity and in enriching the learning experience. Almost all NASPAA accredited programs offer some experiential learning opportunity to their students and they have integrated the internship requirement as part of their public service education curricula.

The programmatic requirements matrix presented in figure-1 clearly demonstrates the evolution of the academic curricular structure among NASPAA accredited programs. As a corollary to the provision of the internship experience, the growing emphasis on applied skills in the area quantitative methods, statistical procedures, program evaluation techniques, policy analysis tools and application of information technology is becoming a major thrust among well-established programs as part of the increased professionalization of public service in the United States. These developments or innovations in curricular structure reinforce the notion of skill-development oriented education for public service.

The quality of planning, management and supervision are the most important aspects of the experiential learning process. They play a significant role in determining the success or failure of all these internship management activities that are described in figure-2. The model of the academic-administrative internship management process presented in figure-2 also emphasizes the importance of purpose, planning, placement, supervision, evaluation outcomes and feedback of vital components of the experiential learning process. It is quite revealing that there is a positive correlation between the effectiveness of experiential learning and the commitment of institutional resources, faculty expertise, and quality of the management of the internship process. MPA programs lodged in comprehensive schools of public affairs or managed by an independent department of public administration are in a better position to manage the internship experience more successfully.

As Chauhan observes, “experiential learning in public service education provides a common ground where students, practicing administrators, and educators can meet and share their wisdom, knowledge, and skills...The concept of academic-administrative internship is sound and it fits well into the new trends characterizing higher education for public service” (Chauhan, 1978, p. 105). What is more importantly needed is the institutionalization of the evaluation process to facilitate the more realistic assessment of experiential learning outcomes.

In search of discovering a core value of practical education relevant to the needs of the American society in the twenty-first century, Harvard and other prominent universities have restructured and reinvented the value of internship experience in their quest for reenergizing the soul of higher education to make it part of the global aspects of human aspiration. For instance, Harvard University recently refocused its academic requirements or “expectations” for future graduates to seek global internship experience or conduct research (Harvard Urges Change to Creaky Curriculum Core, The Blade, April 27, 2004). This effort represents a shift in emphasis from fragmentation and specialization to more cosmopolitan and general experiential learning in higher education.
NOTES

1. The internship concept has also been influenced by the globalization of the business environment requiring academic institutions to place their interns in multinational corporations and other business enterprises overseas. In order to diversify and enrich the intellectual experience of their business graduates, MIT, Harvard and the Wharton school require their interns to acquire internship experience in such international businesses as Infosys and Consultancy Services, the biotechnology company Biocon, and the Japanese nonprofit organization known as the Nichibei Pathfinding Opportunity Program.

2. The Presidential Management Intern Program was originally established by the Intergovernmental Personnel Act of 1970, authorizing the federal government to select three to five hundred interns annually to serve various federal agencies at the GS-9 salary level and above. In 2003, the name of the program was changed to The Presidential Management Fellowship Program (PMFP). In 1999, the federal government launched an additional recruiting program, The Government-wide Acquisition Management Intern (GAMI) Program, sponsored by the U.S. Department of Interior. Additionally the federal government announced several new program initiatives and organized: The Office of the Secretary Management Intern Program and The Financial Management Career Intern Program.

3. For instance, Ohio Legislative Commission coordinates all internship recruitment efforts for the State of Ohio and its General Assembly.

4. There are several major cities in the United States that have established very highly structured and fully paid internship programs to attract talented and qualified public administration graduates interested in seeking careers in municipal governments. For instance, cities of Phoenix, Kansas, Washington (DC), Atlanta, and Los Angles have organized internship programs that are considered to be prestigious.

5. The U.S. government also offers political internships to both graduate and undergraduate students in public administration to serve as interns with political leaders and legislative staff of the U.S. Congress in the area of policy analysis and administrative management in government. For instance, these types of internship activities are coordinated by the Washington Center Internship Program.

6. The Dade County (Florida) and several other metropolitan counties have established highly regarded internship programs that employ student interns with a very high level economic remuneration.

7. There are a variety of Internship Directories and other publications that provide very useful information to prospective interns seeking internship assignments in federal, state, and local government agencies as well as in the nonprofit organizations and overseas industrial enterprises. These include: America’s Top Internship; The Internship Bible; The National Directory of Internships; and Peterson’s Internships. More specialized resources include The ACCESS Guide to International Affairs Internships, Washington (DC); the National Directory of Arts Internships; the Directory Internships in Youth Development; and the Public Administration Career Directory.

8. Nonprofit organizations such as The United Way and The American Red Cross provide internship experience to students who are committed to alleviating social problems in the U.S. society. These interns engage in carrying “the mission of improving people’s lives by mobilizing the caring power of communities” (United Way Mission and Vision, 2004, para. 1).

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INTRODUCTION

Soon after the birth of Pakistan in 1947, its planners recognized public administration as an important instrument of development and social welfare. It was realized that the administrative system being a colonial legacy of the British was unable to meet the needs of an independent nation destined to develop as a modern welfare state. The need for fundamental reforms in the administrative machinery of Pakistan was expressed in the First Five Year Plan (1955-60) in these words:

“The defects as well as the merits of the existing administrative system stem largely from the fact that it is a heritage from a colonial power, which reared upon certain indigenous institutions a super-structure adapted to the needs of ruling subject country. The combination yielded a system of public administration admirably suited to the requirements of a government engaged largely in the primary functions of collection of revenue, administration of justice, and maintenance of law and order. Under the stress of social and economic change, some alternations were made in this system from time to time, but, fundamentally and broadly, the methods and outlook of the public service, the tasks they performed, and the procedures they followed remained unchanged. The inevitable result has been that, with the independence and the shift of emphasis from regulating the life of the community to positive action for promoting its welfare, the system has become outdated and seriously inadequate. (First Five Year Plan, P. 91)

The same plan identified the following public administration requisites for purposes of national development:

1. A streamlined organization at the Center and in the provinces
2. Central planning machinery
3. Planning and development departments in the provinces
4. Statutory public corporations and authorities vested with autonomy to implement special programs
5. A revitalized district administration directed to development
6. Democratically constituted local self-government institutions
7. A rational system of financial administration
8. Public service policies designed to maintain an efficient corps of workers
9. A progressive look on the part of public service.

Transformation of public administration on these lines would have been unthinkable without giving due attention to the education and training of public administrators. Thus, the need for pre-entry and in-service training of civil servants and public administration education at the university level was recognized. The United States, under its technical assistance program, extended elaborate help to Pakistan in setting up various public administration education and training institutions. By the mid 1960s, the following public administration educational and training institutions were fully operational:

1. Department of Public Administration, University of Punjab, Lahore.
2. Administrative Staff College, Lahore for training of senior officers.
3. The Civil Service of Pakistan Academy.
5. The Academies for Village Development.
6. National Institutes of Public Administration in Lahore and Dacca for training of mid-
career civil servants (Second Five Year Plan).

The spirit of American Public Administration was infused to these institutions through US
consultants, American professors and US educated Pakistani academics and administrators. The
University of Southern California alone trained hundreds of officials under contract with the US Agency
for International Development (USAID). The Department of Public Administration at University of the
Punjab, the first institution offering a Master’s degree in public administration was established by the
same university.

American influence on public administration in Pakistan is self-evident in the establishment of
public administration education and training institutions, and training of public administrators and
academics. Pakistan was not the only recipient of American administrative technology. In the 1960s,
public administration was the major category in the technical assistance program of the United States
(Siffin, 1976), which aimed at improving the administrative capability of developing countries. Quite a
few researchers in the field of public administration have made early assessment of the results of
American influence on administrative reforms in developing countries (Braibanti, 1966, Siffin, 1976).
However, there is dearth of in-depth analyses of diffusion of American administrative technology in
individual countries. Such studies could be both theoretically and practically rewarding in the age of
globalization which has accelerated the diffusion of ideas, technology and culture among countries and
regions. This paper reviews Pakistan’s experience in public administration education which was
introduced to Pakistan in 1960s under the Technical Assistance Program of the United States 1. The
nature, structure, values and intellectual orientation of public administration education in a country
largely depends on the concept of the state, administrative context, organizational setting in which PA
program are offered, teachers of public administration, and professional and accreditation bodies. In this
paper, all these aspects are examined to see how the diffusion of American public administration
education took place in a country like Pakistan, which offered different political, administrative,
educational, and cultural context to MPA program.

BRIEF HISTORY OF MPA EDUCATION IN PAKISTAN

The first MPA program was started in 1962 at University of the Punjab, which was housed in a
newly established Department of Public Administration 2. A team of American professors from the School
of Public Administration, at the University of Southern California provided administrative and intellectual
leadership to this department from 1962 to 1964. There was only one Pakistani professor on the faculty
who received his PhD from Cornell. He later became the first Pakistani head of the department. During
this period five to six newly selected lecturers were sent to the University of Southern California to
pursue doctoral degree in public administration. Most of these lecturers were teachers of political science
in the Punjab University and its affiliated colleges with the exception of one who had a Master’s degree in
Statistics. They all returned within five years after completion of their doctoral degrees and resumed their
teaching positions in the Department of Public Administration. One lecturer completed his PhD in
Sociology from University of Munster, Germany. This group of teachers provided the core of intellectual

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1 Since none of public administration training institutions in Pakistan offers MPA degree program they fall outside the scope of
this paper. This paper focuses only on MPA education.
2 In 1955, Institute of Business and Public Administration at the University of Karachi was established where MPA program was
discontinued without producing any graduates. It only focused on business education and was renamed as Institute of Business
Administration (IBA). Now IBA is a degree awarding institution and has no administrative link with the University of Karachi.
leadership in the discipline of public administration not only in the Punjab University but also in the entire country.

The MPA degree program, originally designed by an American team of professors, was a general program consisting of eighteen courses with the thesis equivalent to two courses. The titles of the courses suggest that it was a pure public administration program with no components on business management. The following were the courses:

1. Government Administration of Pakistan
2. Principles of Public Administration
3. Statistics for the Public Administrators
4. Government and Administration in Contemporary Societies
5. Comparative Public Administration
6. Economic Development
7. Public Personnel Administration
8. Research Methods and Techniques
9. District Administration and Basic Democracies
10. Public Financial Administration
11. Management Analysis
12. Policy Making in Public Administration
13. Organizational Behavior
14. Administrative Law
15. Governmental Accounting
16. Administration of International Affairs
17. Seminar in Directed Reading
18. Seminar in Public Administration Problems
19. & 20 Thesis

The MPA program of the Punjab University since its inception in 1962 has undergone major changes. It was started as a pure public administration program but gradually lost its original identity and was turned into a management degree with a strong flavor of business administration courses. In 1965, the name of the Department was changed from Public Administration to Administrative Science. This was done under the headship of a professor who was a graduate of Cornell University where Business and Public Administration were part of Administrative Science. The PA program was made to cater to the needs of both public and private sector organizations by offering concentrations in management, financial administration, personnel administration, and local and regional planning. The word public was removed from titles of all the courses to make the program suitable to both public and private sector for example new titles for core courses were as follows:

1. Governmental Administration in Pakistan
2. Principles of Administration
3. Statistics for Administration
4. Planning and Development Administration
5. Personnel Administration
6. Organizational Theory and Behavior
7. Managerial Economics
8. Research Methods and Techniques

3 The authors were told by some senior faculty members that USC trained faculty was not happy with the change of name of the department from Public Administration to Administrative Science as they were all Drs of Public Administration.

4 Administrative Science Quarterly, a prestigious journal of management is the publication of Cornell’s School of Management.
9. Financial Administration
10. Management Analysis
11. & 12. Thesis

The faculty of the Department of Public Administration gave high priority to the placement of graduates in the job market. Concerted efforts were made to create a link between the department and its potential employers, primarily the government department, training institutions, public corporations and private sector. The Federal Public Service Commission was persuaded to allocate 200 marks to public administration in the Central Superior Service (CSS) Examination. The authorities in the government were requested by the department to give preference to MPA graduates in professional jobs in government departments and public corporations over other Master’s degree holders. However, despite the best efforts of the faculty, no such linkage could be created between the department and public sector job market. MPA graduates, however, were being accepted both in public and private sector organizations mainly for two reasons: first, the MPA program provided broad based management education suitable for both sectors, and secondly, the Department of Administrative Science was the only such institution other than the Institute of Business Administration at University of Karachi in the entire country.

Taking the model of Cornell University, the Board of Studies of the Department of Administrative Science recommended to the higher academic bodies of the Punjab University to raise the department to the level of Graduate School of Administrative Sciences, which would give the school a legitimate base to formally start a business administration program in the future. This proposal could not carry through for reasons unknown to the authors. The Department of Administrative Science, however, started a Master of Business Administration program in 1971 which was separated in 1973 through administrative action from the Department of Administrative Science (DAS) and a separate department, the Department of Business Administration, was created to house this program. This marked the beginning of new era in public administration education. Two departments of the same university would start competing with each other, one with an MPA degree having a blend of public and business administration, and the other with an MBA degree with a focus on business management only. MBA graduates rapidly started taking their share of the job market particularly in the private sector, which was previously being captured by MPA graduates. The claim of MBA graduates on private sector jobs was justified but unfortunately, such claims could not be established for MPAs on the jobs in the public sector even in the state-owned enterprises. However, the MPA survived this competition and the faculty of the Department of Administrative Science, fully trained and groomed in the discipline of public administration kept the discipline alive, a result of which, other new universities picked up the Punjab University model and established both MPA and MBA programs under different administrative arrangements. Despite the popularity of the MBA degree, public administration programs have been growing, but only in public sector universities. Presently, ten universities in Pakistan and one university in Azad Jammu Kashmir are offering MPA and BPA programs. The Department of Administrative Science directly and indirectly helped new universities in setting up public administration programs notable example is Gomal University, D.I. Khan, in NWFP province.

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5 The official proceedings of various meetings of the Management Committee of the Department of Public Administration, University of the Punjab from 1962-1964 confirms such efforts.
6 This was done probably due to organizational politics.
7 This was exactly in line with the provisions of First and Second Five Years Plans of Pakistan in which it was clearly mentioned that public administration institutions should also offer courses in business management.
8 Private sector was not previously allowed to set up universities. Since the late 1980s over forty private universities have been given charter by the government as part of policy of privatization of higher education.
9 The Faculty of the Department of Administrative Science, University of the Punjab established both MBA and MPA programs in two separate departments in Gomal University. The graduates of DAS also contributed to the early developments of these departments as HOD and faculty members.
The Department of Administrative Science which introduced, guided, and nurtured the discipline of public administration in Pakistan kept its tradition of steering the wheel of MPA education. In 2001, after becoming the Institute of Administrative Sciences, it gave new impetus to public administration education by starting several new areas of specializations such as health administration, human resource management, environmental management, public policy and management, finance, management information systems, and marketing for non-profit sector. Several of these new specializations have been raised to full-fledged Master’s degree programs.

CURRENT STATUS OF MPA EDUCATION

The following aspects of the program may best describe the status of public administration education in Pakistan:

1. Number and Size of PA Programs
2. Organizational Settings
3. Program Structure and Types of Programs
4. Teachers’ Academic Background
5. Research in Public Administration
6. Accreditation and Professional Bodies

1. Number and Size of PA Programs

Presently, ten out of twelve general universities in the public sector are offering public administration programs at the Master and Bachelor levels.10 There are a total of ten MPA programs for fresh college graduates, and the same number of programs are being offered to in-service people working in the government, private and non-profit organizations. Four universities are offering Bachelor’s programs (BPA) in public administration. The Institute of Administrative Sciences has started BA (Hons) in Management Studies with one of the concentrations in public management. There are not less than 2000 students studying public administration in Pakistan.

2. Organizational Setting

The PA programs in various universities are being run under different administrative and organizational settings. In eight out of ten universities, public administration programs are operating in management schools, which have different nomenclatures such as administrative sciences, management sciences and management studies. These schools also offer MBA programs. There are only two universities, which have separate departments of Public Administration.

3. Program Structure, Core courses and Specializations

All Master’s programs require two years of education in public administration after the Bachelor’s degree. PA programs in the entire country operate under a semester system which is an American system of assessment and evaluation. The courses consist of core, specialization and elective courses. Sixty credit hours is the minimum requirement of MPA degree. However, there are a few exceptions; a few universities offer more than seventy credit hours to complete the degree. An internship of six to eight weeks is compulsory for non-service students. A thesis is optional, and can be taken in lieu of two courses. The core courses consist of two types of courses: a) public administration courses such as Public Administration and Society, Public Policy Analysis, Local Governance, Financial Administration,

10 Several public sectors universities established in the last 2-3 years are not included in this count. These universities are still at their infancy stage.
and Comparative and International Public Administration; b) general management courses such as Organizational Design and Behavior, Human Resource Management, Economic Analysis, Financial Accounting, and Principles of Management. These courses were approved by the National Curriculum Committee (Public Administration) of the Higher Education Commission (formerly known as University Grants Commission) of Pakistan in 2002\textsuperscript{11} (UGC, 2002).

The new specializations introduced in the revised curriculum of public administration are health administration, development management, environment management, human resource management, public administration and law, and management information systems. The Institute of Administrative Sciences, at the University of the Punjab has already introduced these specializations in its MPA program while other universities are gradually adapting these new courses.

In recent years, there has been a trend toward three year and four year bachelor’s programs in the universities. This has created the opportunity for starting a BS/BA in public administration at university level. The Higher Education Commission of Pakistan is pursuing all the universities to start four years bachelor’s programs in science, humanities and management sciences including public administration. The newly established Virtual University has started a four year BS program in Public Administration. The Institute of Administrative Sciences has a four year program BA (Hons) in Management Studies with a concentration in public management.

4. Teachers of Public Administration

Over 80 percent teachers of public administration in Pakistani universities are public administration graduates. For example, in the Institute of Administrative Sciences, University of the Punjab, out of eleven full-time teachers, there is only one teacher who is a commerce graduate. All of the rest have master/PhD degrees in public administration. The departments that run both MBA and MPA programs certainly use both MBA/MPA teachers for teaching common courses especially management courses. Heads of the institutes/departments offering PA programs come from different disciplines; public administration, political science and business administration. The department/institutes that are headed by public administration/political science graduates are more innovative and aggressive in marketing of MPA programs. On the contrary, institutes who are being led by business graduates manifest more ownership of MBA programs vis-à-vis MPA programs.

5. Research in Public Administration

So far, public administration institutes/departments in Pakistan’s universities have only been producing MPA graduates. Research has not been the priority of the departments primarily due to lack of funding for research and linkages with government departments and training institutions. Back in the 1960s, the Public Administration Research Center and Council was established to provide such linkages but this institution could not continue due to lack of interest in research by the government and the universities. One of the reasons for lack of research traditions in public administration institutes/departments was the absence of MPhil and PhD programs. For training of public administration for higher degrees, universities relied mostly on the foreign universities. Under the Central Overseas Training Scheme of the Government of Pakistan (COTS), teachers were being trained till the late 1990s. Now that the COTS Scheme has been terminated, the Higher Education Commission is encouraging the universities to start PhD programs in all the disciplines including public administration and management sciences. Universities are positively responding to this initiative of the HEC and hopefully, a research culture will develop in the public administration departments.

6. Accreditation and Professional Bodies

\textsuperscript{11} University Grants Commission (Curriculum of Public Administration for MPA (Revised 2002)).
There is no accreditation and professional body to set the standards and monitor the quality of the program. The Higher Education Commission does have a curriculum development wing, which periodically reviews the curricula of all the subjects including MPAs offered, by public sector universities. A body like National Association of Schools of Public Affairs and Administration (NASPAA) in the United States is needed in Pakistan to ensure the quality of public administration programs. Similarly, a professional body like ASPA is also long due in Pakistan to provide link between public administration education and practice, and to promote the discipline.

**ANALYSIS OF MPA EDUCATION IN PAKISTAN**

The history and the current status of public administration education reveals that: a) MPA education has no formal links with public administration practice and is not considered as a mean for preparing graduates for public service; b) Public administration is generally perceived as a management discipline despite the fact that the new curriculum of PA programs include courses on governance and public policy; and c) public administration is not a growing discipline in Pakistani universities. We have identified these contextual aspects which are complex and interactive and together provide the basis for understanding of the status of public administration education in Pakistan: a) bureaucratic and authoritarian state; b) tool orientation of public administration; c) preference for generalists in bureaucracy; d) neglect of social sciences in the higher education.

**Bureaucratic Authoritarian State**

Pakistan since its inception has remained essentially a bureaucratic polity. Both civil and military bureaucracy occupies most powerful position in the political system of Pakistan. Bureaucratic elites, military and civil, have directly and indirectly ruled Pakistan throughout its history as an independent nation. Military regimes or military-controlled regimes (except for a short period of Bhutto’s rule), and the prominent role of bureaucracy in policy making, developed the bureaucratic and authoritarian character of Pakistani state. A bureaucratic and authoritarian state by design tends to regulate the production of knowledge and does not encourage intellectual endeavors outside state control. Intellectual freedom cherished by the universities and academics do not go well with the bureaucratic and authoritarian orientation of the state. Thus, the bureaucratic and authoritarian nature of the Pakistani state is probably the major reason behind the lack of formal linkages between public administration education and public administration practice. The government has established several research institutions outside the universities including the Pakistan Public Administration Research Center. The public administration training institutions established under government control were given the research task instead of using universities’ departments of public administration. Ralph Braibanti, a famous researcher on bureaucracy of Pakistan, observed a long time ago that higher bureaucracy in Pakistan “does not have deep residual respect for extra bureaucratic intellectual endeavor” (Braibanti, 1966: 15). This attitude of the bureaucracy persists even today. For example, efforts are currently being made in bureaucratic circles to establish a National School of Public Policy or National University of Public Administration, which will be a degree-awarding institution, and all the in-service training institutions will be affiliated with the proposed university. The American tradition of using universities for education and training of public servants and conducting public administration research in universities failed to penetrate Pakistani public administration.

**Tool Orientation of Public Administration**

The discipline of public administration is grounded in both instrumental and democratic values. Although instrumental values such as rationality and administrative efficiency have always been more prominent (Denhardt, 1979), the democratic values freedom, equality, equal opportunities, justice, and personal responsibility provide the core of public administration as articulated by its early students such
as Paul Apleby (1945) and L.D White (1949). However, the American public administration, which was exported to developing countries including Pakistan was singularly guided by instrumental values. Public administration was presented as a tool through which society can achieve its goals. Siffin (1976) characterized American public administration exported to developing countries as tool-oriented, which consisted of a set of tools and a set of ideas about them; for example, personnel administration, budgeting and financial administration, and organization and methods. This tool-oriented public administration was supported by instrumental values.

The idea of administration as an instrument or tool for development was well-aligned with the technocratic value structure of the bureaucratic state of Pakistan which in the 1960s was being ruled by a Military General, Field Marshal Mohammad Ayoub Khan. Therefore, democratic concerns of public administration were pushed backward when the administrative technology was being exported to Pakistan and other developing countries.

This brand of public administration was not a full and true reflection of American public administration. F.W. Riggs, a renowned American scholar of development administration, while criticizing the American export of administrative doctrines and practices that might aid authoritarian government, categorically said that father of the American public administration Woodrow Wilson weighted democratic values more than administrative efficiency (Riggs, 1965).

The MPA education supporting the American exported administrative doctrine and practices was perceived in Pakistan as a mechanism to produce graduates who would be equipped with modern tools of administration grounded in science and rationality. This perception about the discipline of public administration at the time of its inception in Pakistan explains why public administration education could not make inroads to an elitist and generalist-dominated bureaucracy. As a result of that, MPA graduates never received, even now, due consideration for public service positions filled through competitive examination or otherwise against other graduates (business graduates). It was mainly because of two reasons: a) The MPA degree being a professional degree was never considered as a means for preparing graduates for a civil service which has a built-in preference for generalists; and b) if public administration education is dominated only by instrumental concerns (i.e., efficiency, rationality) then there is no difference between public administration and business administration. Rather, the latter, which is completely devoid of democratic values, may be more suitable for serving the interests of a bureaucratic authoritarian state. A very recent job advertisement for positions in a newly created Civil Service Reforms Unit in the Establishment Division of Government of Pakistan giving MBA degree holders preference over MPA graduates confirms the bureaucratic inclination towards business administration.

Preference for Generalists in bureaucracy

One of the salient features of bureaucracy in Pakistan is its preference for generalists (Kennedy, 1987). The generalist cadre Civil Service of Pakistan (CSP) and its predecessor, the District Management Group (DMG) even after 1973 reforms have consistently enjoyed privileged positions in Pakistani bureaucracy. They assumed the top positions in the federal, provincial governments, and statutory and stat-owned corporations. The issue of the role of generalists versus professionals was discussed even in the First Five Year Plan and it was decided not to eliminate the generalists, and rather, due importance should be given to the professionals. The preeminent position of generalists however remained intact till now but professionals have not yet attained the same status in bureaucracy. The elitist and generalist bureaucracy in the top policy making positions in the federal and provincial secretariats would definitely not accord a tool-oriented and professional discipline of public administration the status it deserved. This was the reason why the discipline of public administration was not very well received by the bureaucracy and it is treated at par with other professional subjects.

12 Public administration education taught in Pakistani universities however takes care of democratic concerns along with its instrumental orientation. Since American text books are used in PA programs, both instrumental and democratic values provide the basis of public administration education.
Neglect of Social Sciences in Higher Education

Public Administration like many other social sciences has suffered as an academic discipline due to lack of institutional support for its growth (Hashmi, 2001). The science and engineering subjects always received preference for limited available resources to the universities. Therefore, there is an extreme shortage of faculty in public administration and other social science disciplines. Research in public administration also suffered because of lack of funding from the government. Now with the establishment of Higher Education Commission social sciences are being considered for research funds and scholarships for faculty development.

CHALLENGES AND OPPORTUNITIES

Public administration is being taught only in public sector universities. In the last few years the government has given a charter to private as well as public sector institutions engaged in postgraduate and undergraduate education in professional disciplines such as computer science, engineering and management sciences. Now the latest count of degree awarding institutions on the list of Higher Education Commission is over 105. While MBA programs exist in most of the new universities, MPA programs only exist in 11 public sector universities and in the management schools. Public Administration in Pakistan is recognized as a management discipline. The Higher Education Commission of Pakistan treats public administration under the category of management sciences.

The greatest challenge to the discipline of public administration today, is to maintain its identity while being a sub-discipline of management sciences and survive the increasing competition from business administration. Private universities will not offer PA programs unless there is an explicit demand from the government, public sector, and non-profit sector organizations for MPA graduates.

The devolution plan under which power is being shifted to newly established district governments and local bodies provides a great opportunity for growth of public administration as an academic and professional discipline. In Punjab alone, one of the four provinces, there are sixty eight district governments in addition to other local councils. MPA graduates who possess the skills of management and are fully educated to safeguard and protect the democratic values can provide the new local government institutions with an unprecedented human capital needed for the successful implementation of the devolution plan. Such a blend of managerial skills and sensitivity to public interest would not come from any other management discipline including business administration.

The rising non-profit sector in Pakistan also provides tremendous opportunity for growth of MPA education. There are more than 6000 registered NGOs in Pakistan. Public administration is the discipline which has legitimate claim over this sector due to its normative values that give legitimacy to non-profit sector organizations. Public administration programs need to prepare their graduates for this expanding sector. Once MPA programs create its niche in the job market, private sector universities will definitely respond and will most likely initiate PA programs in the future. Private universities offer the best PA programs in the United States. To reach this stage, the government has to play its role by recognizing and appreciating the importance of normative aspects of the discipline of public administration, that distinguish it from business administration.

CONCLUSION

Public administration education was accepted in the bureaucratic state of Pakistan because of its perceived instrumental/tool orientation. However, due to its professional and obviously democratic concerns, it was not very well received by the bureaucratic and military elites. The discipline has not yet acquired the same status as it enjoys in the United States mainly because of the different political and bureaucratic context embedded in the bureaucratic authoritarian state. In the wake of increasing popularity of MBA degrees and an expanding private sector in higher education, the discipline of public administration will only survive if it is able to project its normative value orientation along with
instrumental concerns for efficiency and effectiveness. To what extent the well-entrenched bureaucratic authoritarian state of Pakistan will respond to such an effort, will depend on the changing administrative scenario of Pakistan after the most controversial ongoing devolution of power to local government by the present regime of Pervaiz Musharaf.

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Administrative Reforms Through the MPA:
The Malaysian Experience

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INTRODUCTION

In August 1957, Malaya obtained its independence from the British and duly became the Federation of Malaya. From this moment forth, the country has seen remarkable changes to its government administration in terms of policy changes and civil service reforms. Another milestone in the country’s transformation occurred on 16 September 1963, when Malaysia was formed with the admission of Sabah and Sarawak to the existing Peninsular of Malaya. With this addition, Malaysia has today an area of 330,433sq.km. and a population of 25.45 million in the first quarter of 2004. Malaysia now consists of 13 states, equal in status though different in internal organisation and administration. The Federal Territories comprising the capital Kuala Lumpur, the newly established Putrajaya and the island of Labuan, are administered directly by the Federal Government.

While British influence is pronounced, the Head of State is a unique Malaysian institution. The Head of State or King is a constitutional monarch who serves a term of five years and acts on the advice of the Cabinet. He is elected by the other Rulers (Sultans) of the nine Malay states in Peninsular Malaysia and acts in accordance with government’s advice.

At the federal level, the product of government is via a Parliament which is bicameral, consisting of a senate (Upper House) and a House of Representatives (Lower House). Elections to the Lower House are held every five years on the basis of universal suffrage, the latest being the 11th General Elections held recently on the 21 March 2004. The Cabinet headed by the Prime Minister consists of members of the Legislature and is collectively responsible to Parliament.

At the State level, other than the States of Penang, Malacca, Sabah and Sarawak, a Malay ruler or Sultan is sovereign in the State. The non-sovereign States are headed by a Governor, who is federally appointed for four years and who acts on the advise of the respective State Governments. Each State has a unicameral Legislature, elections to which are held every five years concurrent with federal elections. The State government is headed by a Chief Minister who is normally the leader of the political party at the state level and enjoys the majority of popular votes cast in the elections.

At the local level is the Local government which is non-elective and does not adhere to any political party majority votes to form the government. Local government in Malaysia is provided for in paragraphs four and five of the Ninth Schedule to the Federal Constitution. Although the Federal government exercises certain powers over Local government, it is the States that ultimately have general responsibilities for the local authorities within their districts. Hence, in the system of government in Malaysia, there are three levels of government, namely, the federal, state and local.

THE MALAYSIAN CIVIL SERVICE

From independence until the period of the 1970s, the role of the civil service remained relatively unchanged. It still performed the perfunctory duties of general civil services, in effect a continuation of colonial administration in maintaining peace and order in the country. The issue of implementing any


1 Malaysia, Department of Statistics, as at 1st April, 2004.
programme towards physical and infrastructural development was never at the forefront as the civil service was from the moment of gaining independence involved in consolidating its efforts towards peace and confronting the problem of communist insurgency occurring within the country. It was towards the later part of the 1960s that pressures were exerted upon the civil service to gear itself away from its maintenance culture to a more developmental and performance oriented role. Conceptually, the Malaysian civil service since independence was unquestionably an efficient bureaucratic apparatus but still having the aura of colonialism being attached to it. This was due to the fact that most of the expatriate officers were still employed in responsible administrative positions. Only a small percentage of local officers were given the opportunity to assume specific administrative posts if they possessed the required educational qualifications. Certainly, this limited the quantum of locals that could be duly appointed to high office in the civil service.

The process of “Malayanising” the civil service was put into place by the newly independent government when it adopted a Malayanisation programme in the civil service. Basically, there were two objectives; namely to replace the expatriates and secondly to enlarge the bureaucracy. This exercise was carried out in stages where once a suitable local understudy was available, the expatriate was requested to retire and replaced by the local officer. Indeed, this made for a smooth transition with comparatively little problems. Some comparative figures indicate the success of this programme. In 1957, expatriate officers staffed 67% of all Malayan civil service posts (around 1564 officers, but by early 1963, there were only 9.2% expatriates (about 24 officers) left in the service. While this was reflected in the administrative side of the civil service, however, in the technical and professional sectors, the process of Malayanisation was taking a much longer period as the number of local technical professionals was limited and training still had to be expanded to this group of officers. Efforts at increasing the number of government officers also took on a rapid pace especially with the inclusion of the states of Sabah and Sarawak into Peninsular Malaya when Malaysia was formed in 1963. To cite an example, in 1962, the size of the central and state bureaucracies was around 119516 employees; in 1972, this increased to around 166569 employees.

NEED FOR ADMINISTRATIVE REFORMS AND TRAINING

The process of change had been set in motion the moment the country put into place its Malayanisation programme. This period of the country’s transformation and the need for further administrative changes hastened the government’s efforts towards reorganising the civil service structure. However, this change process had to be carried out bearing in mind the needs of a population that had just realised independence and full of expectations of a better tomorrow. There was also a need to control government expenditure, continue rural development to bridge the gap of economic imbalance between the incomes of those in the urban and rural sectors, increasing the welfare of the citizens and raising the standard of living. Foremost was the need to generate more officers capable of taking over the tasks of civil administration. The philosophy was bent towards a more active and vitalised bureaucracy. Fresh from its triumphant election victory in 1964, the government in power wanted to show the electorate that it was giving great attention to the efficiency of the public service, as it was the instrument that “delivers goods to the people”. It was of utmost importance to improve the government administration to meet the needs of a rapidly developing nation and aspirations of the people. Yet at the same time, it had to be acknowledged that the civil service had been shouldering more and more since Independence and their capacity for growth and development were only hampered by lack of training opportunities for the civil administrators.

As was mentioned previously, while there was a large increase in the number of government employees, they were mostly generalists. The country was expanding rapidly but the civil service experienced insufficient professionals and technocrats. There was also a need for these administrators to be trained and equipped with special skills such as scientific tools of management; in short, there was a

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dearth of a special group of social scientists, economists and administrative leaders. It was imperative then that certain administrative reforms and innovations had to be deliberately introduced into the administrative system. This idea and intention was subsequently put into action with input from external consultants in a study undertaken to review the Malaysian public administrative system. In fact the main objective of the study was “to improve the administrative system and achieve efficiency and administrative leadership in the public service to meet the needs of a dynamic and rapidly developing country”. As acknowledged in the study, the need for administrative reforms was “to speed government action, reduce costs and improve the quality of service”.

**POST-ENTRY TRAINING**

Leading from the recommendations, of which one had important implications to the Master of Public Administration (MPA) programme in the University of Malaya, was the proposal for improvement of the government’s education and training programmes for all levels of civil service. One such programme was the call for the creation of a graduate study programme in development administration in the Faculty of Economics and Administration (FEA) of the University of Malaya for the purpose of post-entry training of Malaysian Home and Foreign Service (MHFS) officers. In addition it was also proposed that mid-career university level education should be provided to those officers in the professional cadres. Finally, the recommendation also envisaged that there should be expanded in-service training facilities in the technical and clerical staffs and seminars for top level officials. In all, it was recognised that the professional competence of the Malaysian civil service should be strengthened. This was essential as a rapidly developing country requires the necessary leadership for it to push forward its reforms and development plans. With this in mind, the government pursued the idea of a post-entry university course particularly in development administration for selected newly recruited officers.

In tandem with the recommendations as set out in the report by the consultants, the government established a unit called the Development Administration Unit (DAU) and proceeded with the implementation of training programmes for all levels of the civil service. Thus began the training and strengthening of the professional capabilities of the administrative officers. The onerous task of training was henceforth thrust to the University of Malaya and it was upon the Faculty of Economics and Administration that the programme was entrusted.

Although the impetus for training was keenly felt by the government, the set back was that not all administrative officers could be released for training at the same time. Some officers were still required to continue working while others could not be released for a long duration for training as the civil service was constrained by a shortage of serving officers. The consequence was that the government was not able to release that many officers for training and for a duration longer than a year. It was agreed that the FEA, University of Malaya, would offer a one year post graduate diploma course for those administrators who could be released from service. Consequently, the Diploma in Administration (DPA) was conceptualised and implemented to provide postgraduate training to this group of civil servants. These officers would be specially trained in the field of management and equipped with specific skills in public administration. With this in mind, the DPA was structured to meet the objective of the civil service and thus its programme of study could be completed within a year. At the completion of the DPA programme, the officers would have been trained in specific areas of public administration and return to their respective postings equipped with knowledge in administration and skills in functional management. All these were perceived to be essential to help the nation chart its growth and development especially economically and socially. These officers possessing a post graduate diploma in public administration could be despatched to the various districts and government departments as field officers. They were essentially useful to spearhead government policies and plans thus ensuring their smooth implementation.

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5 Ibid., p.1.
on the ground. In fact these officers could be perceived as providing a strong link between the citizens and central administration. Politically, this link provided the leverage necessary for the government to reinforce its political strength vis-à-vis its position with the opposition parties. These field officers possessing the necessary skills and qualifications were highly regarded by the local people. Consequently, the work carried out by these officers would naturally be seen as contributing towards raising their standard of living. All these reflect well upon government administration and thereby the ruling political party.

MISSION OF THE DPA PROGRAMME

This programme was designed specifically to train government officers, thereby enabling them to help the government realise its development objectives. The Malayanization process not only replaced existing expatriate officers but also equipped Malaysian officers with the necessary skills in public administration thereby contributing to the transformation of the civil service into the backbone of the government. This process of change strengthened the government’s position in the context of the community and reinforced its image as a government that delivers. This was important as it wanted to continue having its policies and programmes accepted and implemented without much opposition.

Some figures with regards to the intake of students into the DPA programme reflected the commitment of the government to upgrade the professional skills of its officers. As indicated in Graph 1, the Faculty of Economics and Administration began its first intake of 24 DPA students in the academic session of 1968/69.

Graph 1: Number of DPA Students (1968/69 - 1991/92)

By the early 1980s, the civil service was further enlarged with the intake of more staff into government service. This period was also the watershed for postgraduate training of government officers. It marked the beginning of a change that was going to affect the DPA post graduate programme.
BEYOND THE DPA – CONFRONTING NEW DIMENSIONS IN GOVERNMENT ADMINISTRATION

Reality had begun to set in amongst some civil servants who were not necessarily contented with merely a postgraduate diploma in public administration, but were seeking options to obtain higher qualifications. In addition the civil service was increasing its staff with the employment of many new graduates from the various local universities who required in-service training. A re-look into the options available for postgraduate training of the government officers was necessary. Certainly, an expanded civil service allowed some of the officers to be released from their jobs for a longer duration since there will still be ample staff to carry out the duties. On that assumption it was possible to consider allowing government officers to continue furthering their education for a period of more than a year. A small number of senior officers were being sent abroad for postgraduate training in public administration. However, overseas training incur higher expenditure and with increasing numbers applying for the opportunity to pursue a higher degree, the time had come to seriously consider using the local institutions of higher learning to train government officers. Definitely a change in mind-set was necessary as many still preferred to be sent abroad, but with rising costs, the alternative of training staff locally had to be seriously considered.

Another factor that contributed to the idea of placing more officers in local universities was the accelerated pace taken to develop the country during this period and which was to have a great impact upon the system of government administration. This was the beginning of the era of the Mahathir administration. Dr. Mahathir Mohamad was Malaysia’s fourth Prime Minister from 1981 – 2003 and during his tenure as Prime Minister there was a dynamic change in government administration. This period signalled the implementation of a series of major policies and actions which set new dimensions in Malaysia’s political and socio-economic developments. This phase of administrative reforms towards modernising the bureaucracy required the civil service to work closely and in tune with the political leadership in every aspect of government operations. For instance, the government instilled the “Leadership by Example” motto and began to liaise with the private sector under the concept of “Malaysia Incorporated”.

During this era, civil servants needed to go beyond a postgraduate diploma that equipped them with basic management techniques and administrative knowledge. The time had come for a re-look into the viability of the DPA programme. Much more was now required from the civil servants and similar expectations from the DPA programme. But the problem was how effectively that particular post graduate programme could address the urgent requirement. At the same time many local graduates were also seeking opportunities to further their studies to Masters and PhD levels. The demand for an opportunity to pursue a postgraduate degree leading to a MPA and a PhD especially among the government officers fraternity meant that the FEA and the University of Malaya had to re-evaluate their courses and programmes in public administration. Certainly, there was an immediate need to establish courses that could meet the requirements of the public sector. All these were being pursued bearing in mind that the development of the country was moving at a rapid pace and the country was expanding beyond its shores especially in the area of foreign trade and international affairs. It was imperative that the government administrators needed to be equipped with more knowledge and skills especially when dealing with the private sector and foreign countries.

THE MPA PROGRAMME AND PROCESS OF CHANGE

It was with this in mind that the Faculty of Economics and Administration spearheaded the expansion of its postgraduate programmes to offer specifically the MPA programme by coursework and dissertation in the academic session of 1981/82. Pursuant to this, the Faculty had offered a Master of Economics (MEc.) degree wherein the programme of public administration was encompassed. It was imperative that with the pace of the country’s development and the quest for specialisation in training in
public administration, a postgraduate degree solely catering for public administration had to be established. The Department of Administrative Studies and Politics (previously known as the Division of Public Administration) laid the foundation for the MPA programme which began with 17 students in the 1981/82 academic session. By offering a MPA degree it enabled more civil servants as well as the increasing numbers of fresh graduates the opportunity to pursue a postgraduate degree locally. While the focus was the MPA, this was also a period that saw the establishment of other postgraduate programmes within the faculty such as the MBA, DBA (Diploma in Business Administration), and the DIA (Diploma in Accounting).

Graph 2: Number of MPA Students (1981/82 - 2003/04)

![Graph 2: Number of MPA Students (1981/82 - 2003/04)](image)

Source: Compiled from statistics in FEA Files (Records Office, FEA).

With the department offering the MPA programme, the government was encouraged to send some of its serving officers to the FEA to undertake this course. In the meantime, the DPA was still being offered although its numbers had begun to decline. The subsequent years began to see increasing preference for the MPA degree and soon only those officers with a general degree at the undergraduate level and who could not be accepted into the MPA programme chose to continue with the DPA. Appeal for the DPA continued to decline when the MPA started to accept students with a general degree but who possessed at least three years of working experience in relevant positions in public administration or management. At the same time INTAN (National Institute of Public Administration), a government staff training centre under the Prime Minister’s Department, had established some programmes for the training of its government officers. With this the government found it unnecessary to send its officers to the DPA programme in FEA. These events ultimately sealed the fate of the DPA programme. By 1993, the FEA ceased to offer the DPA programme.

**ADMINISTRATIVE REFORMS AND EXPANSION OF THE MPA PROGRAMME**

In the meantime, the MPA was encouraged to initiate new courses in line with the economic and development pursuits of the country and which would be useful to the graduates who had to seek employment in the private sector. Support was forthcoming from the government as its officers were
given scholarships to pursue a higher degree in local institutions. Government requirements have now begun to go beyond mere functional management.

During this phase of administrative reforms, major emphasis was given towards efficiency, political stability and economic growth. Given the right impetus and training, the public sector can accept the challenges of change and it was towards this end that the courses for the MPA programme were structured to enable the change process to take place. Courses such as Project Analysis and Evaluation, Research Methodology, Financial Administration, Development Administration and Comparative Politics and Government, to name a few, were specifically tailored to further enhance the competence of the students in public administration. The mind-set of the civil servants was set to change during this period as major innovations and new ideas were constantly being introduced by the government. For instance, work manuals and desk files were introduced. Civil servants were encouraged to be more punctual and efficient. Name tags were worn to make the officers more personally accountable to the general public and stated working hours were strictly adhered to. New policies such as the “Look East Policy”, “Malaysia Incorporated”, “Client’s Charter”, “Privatisation” and “Paperless Administration”, were incorporated into government administration. The successful implementation of these varied policies and programmes highlighted the achievements of the civil service. It prompted the former premier (Dr. Mahathir) to state that “We should be grateful because we have an administrative machinery which we can be proud of. It is not only efficient, disciplined and productive, but also provides quality service and is comparable to the administrative machinery found in more developed nations. This enabled our nation to implement the development process in a smooth and effective manner.”

Nevertheless, administrative reform is a continuous process and although leadership is vital in determining the vision of the nation, however, the rate of success in any government reorganisation is determined by the quality of its employees. In this respect, the MPA was to a large extent depended upon to provide the paradigm shift. Certainly, with a postgraduate degree in public administration, it cannot be denied that the officers will return to serve the government with greater confidence, especially in areas that required specialisation in public administration. These include undertaking tasks that involve policy planning, coordination and implementation, project evaluation and preparation of reports. Towards this end, the postgraduate programmes were constantly being upgraded and restructured to support the government’s objective.

ECONOMIC PERFORMANCE AND ITS EFFECTS ON THE MPA

By the mid 1990s, the country was experiencing strong economic growth. The country was riding a wave of economic boom with the GDP averaging 8.7% per annum during 1996 – 1997. During this period, there was a demand for workers by all sectors. The unemployment rate for 1996 was 2.5% and 2.4% in 1997. Many of the graduates with a first degree were encouraged by the prospect of being employed immediately upon graduation with salaries that met with their expectations. This target group of potential candidates for the MPA programme had to be discounted as they opted to work rather than to continue studying. In addition due to the upturn of the economy, the government was able to afford to send its officers for training abroad. This affected the number of applicants for the local MPA programme and there was a decline in the number of MPA students during the period of 1993 until 1997.

By 1998, the economic cycle took a downturn and the country faced an economic setback due to the Asian financial crisis. The nation faced a negative growth rate with the GDP recording a -6.7% in 1998. The crisis affected both the public and the private sectors in Malaysia and there was a spiralling

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7 Eighth Malaysia Plan 2001-2005
downturn in the country’s economy. Needless to say, the effects of the crisis were felt by all sectors and obviously it had a negative impact upon the market and employment opportunities. It was financially constraining upon the government to send its officers abroad for training and graduates could not find employment as easily as previously. Even those who were employed suddenly found that they were without jobs. The outcome from these events had an unexpected impact upon the postgraduate programmes of the local institutions of higher learning. There was a surge in the number of students applying for postgraduate programmes. With reference to the MPA and Graph 2, the number of students in the MPA programme increased in 1999 when 33 students were accepted to pursue their MPA degree in the department. While Graph 2 is an indication of the number of students accepted for the programmes, normally, around 50% of the total applying for the programme will be rejected. Since 2000, the number of application has been quite consistent but due to limited teaching staff, the number of students that can be accepted into the programme had to be limited. There is continual pressure upon the department to meet increasing demand for places in the MPA programme.

Malaysia has presently 17 public universities offering various undergraduate and postgraduate programmes. From the websites of these universities, only three offer the MPA programme. While the University of Science, Malaysia began its MPA programme in the 1997/1998 academic session, Northern University of Malaysia has only just begun its masters programme in public administration. On the other hand, from the existing 20 private universities and colleges none appear to be offering the MPA. As a point of interest, the common postgraduate programme offered by practically all the universities and colleges (both private and public), is the MBA. In fact all the public universities offer this programme (100%) while 9 or 45% of private universities and colleges offer it. A logical and common reasoning for this trend is that an MBA degree holder seems to be more “marketable” when seeking employment especially in the private sector. Thus far, the popularity of the MBA and its ability to attract more students does to a certain extent influence the decision of a university to offer this programme as opposed to the MPA.

CHANGING PERCEPTION OF THE MPA

The MPA has often been quoted to be the exclusive domain of those in government service or who wish to be employed in the public sector. While this may appear to be the sentiment in the past as indicated by the government’s tendency towards encouraging its officers to opt for the MPA and DPA, present trend in student intake into the MPA programme by the department in FEA has begun to discount this belief. From the department’s experience in its selection process, applicants do come from various disciplines and backgrounds. This is an indication of the changing perception of the relevance of the MPA as being confined only to the government sector. In the past this was true as it was wholly linked to fulfilling the needs of a growing civil service and it did to a great extent enabled many of its graduate officers in the government service to inject new ideas and implement policies for the government on the ground.

Present trends indicate that government administration is still transforming and will continue to be an on-going process, but the dependency upon the MPA as a post-entry training requisite for civil servants appear less crucial. Certainly with globalisation and the influence of rapid technological advancement especially in communication, needs are now increasing and becoming more varied. Opportunities and choice abound for everyone including civil servants and obtaining an MPA degree need not necessarily be the choice of government administrators today. Similarly, the Department of Administrative Studies and Politics’ expansion of the MPA programme and its course offerings need not necessarily be tailored according to the requirements of the government. Today, civil servants have plenty of options in terms of postgraduate degrees and the preference may not be for the University of Malaya’s MPA programme. Likewise, the University has become less dependent upon students from the civil service and has expanded its recruitment of candidates from local as well as foreign sources.

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10 From the Department of Higher Education, Malaysia.
CONCLUDING COMMENTS

Since its inception until today, the MPA has contributed significantly to the training of the Malaysian government officers. Subsequently with the passing years, both the MPA and the civil service have developed and transformed and while each had nurtured the other it seems that eventually over time, the divergence has become more pronounced. While both remain relevant to each other and to the nation, the degree of dependency has slackened. The whole concept of an MPA education in Malaysia began not merely as a university postgraduate course, but linked to the history of the country’s development. Through the years of rapid economic growth, the MPA programme in the FEA, University of Malaya has moved beyond fulfilling the needs of a growing civil service. As evidenced by the background of the students today, the MPA programme is not confined mainly to the administrative elites of the government. The MPA has advanced to become a postgraduate course offered to all who are eligible and interested in its curriculum. Modifications in course curriculum have been initiated to keep pace with changing times and the effects of globalisation. These have influenced the way the MPA is conducted and marketed in Malaysia. Over the years, the MPA has begun to shed its image of a programme catering only for government administrators. Following current expectations and demands, the MPA is open for whoever that desires knowledge in public administration. Lest it be forgotten, the contribution of the MPA has been recorded in the nation’s history of administrative reforms but as the nation progresses and moves forward so too must the MPA.

Thus far, the Malaysian experience has shown that a postgraduate programme of study can be utilised as an important tool for institutional change especially in developing countries. It highlights the extent to which higher education can be utilised to contribute positively to administrative reforms and nation building. Seen in the Malaysian case, the DPA and the MPA programmes provided the procedural training which managed to enhance the administrative ability of the government officers. The civil service was transformed to become the central pillar of the government and it was able to institute development policies and changes. In the end, the outcome of any administrative reforms in the country concerned depends upon the government’s way of managing and implementing its policies and plans. The postgraduate training programmes as exemplified in Malaysia’s case can enable a government to determine that outcome.

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INTRODUCTION

For those of us who contemplate how policy change occurs, we might secretly wish we could find a washed up ancient bottle with a Genie inside. When we rubbed the bottle, the Genie would appear and say, “I will grant you three wishes.” My first wish would be to ask, “What are the factors that influence policy change, and how do they interact?” My second wish would be to ask, “please write (give) me (in writing) a comprehensive theory of policy change.” And my third wish would be to understand it all.

Many theories and approaches to public policy research study how and why policy changes. Yet some of the major policy change frameworks, such as theories on innovation and diffusion, government subsystems, networking and coalitions, agenda setting, and entrepreneurial leadership too often do not take into account the major determinants and processes in the other approaches. Furthermore, the third and fourth generation policy implementation studies have generated much knowledge about what leads to incremental policy revisions but this is not widely accounted for in the broader system-level theories of change. Certainly, one can argue that policy innovation and change is a major concern of people involved in the policy process, yet curiously, even within political science and public administration where the scholars know each other’s work, there is still little cross-fertilization across the diverse approaches. It is too ambitious to suggest that this paper can develop one integrated policy change theory which supercedes and improves on all the theories from the past thirty years.

Instead, this paper has three more modest purposes. First, it briefly outlines the key policy change theories, and summarizes the key institutional, political and other factors that influence policy change. Second, I try to develop suggestions about how these theories can and should influence each other more fully, towards an integrated theory of policy change that can be tested empirically. Finally, I focus on the potential of the strategic management field to help understand public policy change, since I would argue that public policy researchers are generally unfamiliar with strategic management research and its potential to understand the roles and impact of leadership and policy environments as constraints and determinants of policy change.

THEORIES OF POLICY CHANGE

While an extensive literature exists to explain policy change, I will focus on only three of the theoretical approaches for this paper: (1) innovation and diffusion; (2) agenda setting and policy streams, and (3) the Advocacy Coalition Framework. Below I give a brief description of each framework, what its elements are, and the key factors it links to policy change.

INNOVATION AND DIFFUSION

Most innovation and diffusion studies have adopted Walker’s (1969, 881) definition of a policy innovation, as a program or policy new to the jurisdiction adopting it. Thus policy change is considered as new to the jurisdiction enacting the change, even if it has been adopted by other jurisdictions in the past. Berry and Berry (1999, 170) note that:
“Despite the extensive number of studies of state government innovation at a general level, there are two principal forms of explanation for the adoption of a new program by a state: internal determinants and diffusion models. Internal determinants models posit that the factors leading a jurisdiction to innovate are political, economic or social characteristics internal to the state. In these models, states are not conceived of as being influenced by the actions of other states. In contrast, diffusion models are inherently intergovernmental; they view state adoptions of policies as emulations of previous adoptions by other states. Both types of models were introduced to political scientists in Walker’s (1969) seminal study of state government innovation across a wide range of policy areas.”

Jack Walker’s 1969 article incorporated many of the findings from the vast field of innovation and diffusion research (compiled and articulated by Evert Rogers’ books entitled Diffusion of Innovations) into the study of policy change among American states.

Berry and Berry’s 1990 research developed a theory of state policy adoption that included factors related to: (1) the motivation to innovate, (2) overcoming obstacles to innovation, and (3) resources related to overcoming obstacles to innovation. Their 1992 article articulated a theory of “political opportunity” to explain adoption of state taxes that found strong support for taxes being more likely to be adopted as far as possible from the next election, during fiscal crises, and when neighboring states have previously adopted the tax.

While leadership is a necessary and important factor in policy change, most of the theories of policy change have not included this factor, except in case studies. Michael Mintrom’s work, including Policy Entrepreneurs and School Choice, examines the presence and actions of policy entrepreneurs in the forty-eight states with regard to school choice legislation and policy proposals. His pooled cross-sectional time series studies enable us to draw conclusions about the relative importance of entrepreneurs in the policy consideration and adoption processes. He finds, in brief, that policy entrepreneurs are more important in getting policies considered by legislatures than they are in getting policies adopted.

Rogers (1983, 5) defined diffusion as “the process by which an innovation is communicated through certain channels over time among the members of a social system.” Berry and Berry (1999, 171) argue that the diffusion research assumes that states emulate each other for one of three primary reasons. First, states learn from each other’s experience as they see how adopted innovations work in practice once implemented, and how the public reacts to the new program. This practice also follows Lindblom’s (1965) prescription that policy makers generally adopt policies that embody incremental change from previous practices.

Second, states compete with each other in an intergovernmental system that maintains incentives for states to stay in rough line with each other. Like ships in a convoy, none of the states can afford to get too far out in front without being battered by the storms of interstate competition, whether in welfare policy, taxes or economic development incentives. So states which border other states that have lotteries have an incentive to pass a lottery to keep their citizens from crossing the border to buy other states’ lottery tickets, and contributing their monies to another state’s coffers (Berry and Berry, 1990). Gray’s work (1994) shows that states are under pressure to adopt economic development incentives that other states already have to keep businesses from exiting to the more favorable state borders.

Third, public opinion is always a factor that elected officials monitor. When another state enacts a popular public policy, this can create pressure for the state to take action and join the vanguard. And a fourth, related reason, is that state leaders move in interstate professional circles and gain information on what the best run states are doing to tackle policy and management problems. This creates a kind of “mimicking” pressure to adopt policies that are viewed favorably by the professional elite. This practice follows what Powell and Dimaggio, 19xx calls a pressure for isomorphic responses from peer jurisdictions, to “keep up with the Joneses” in popular parlance.
AGENDA SETTING AND POLICY STREAMS

James Anderson’s *Public Policy Making* (1979) provides a thorough discussion of the stages approach to analyzing public policy, whereby scholars study the interactions within one segment of the five part policy process: agenda setting, policy formulation, policy adoption, implementation, and evaluation. Numerous writers have developed our understanding of the agenda setting stage, and how it impacts what problems are considered important in society, how problems are defined, and thus what solutions are considered for policy changes. Cobb and Elder (1983, 85) note that there are three types of agendas, ranging from the broadest—the systemic agenda that “consists of all the issues commonly perceived by members of the political community as meriting public attention and as involving matters within the legitimate jurisdiction of existing governmental authority,” through the institutional agenda and finally to the decision agenda—where specific alternative policies are considered for legislative adoption. The study of agenda setting helps us understand what issues receive governmental attention, how issues are defined within the culture of our values and capitalist economy, and how political action is only one part of what moves issues onto the decision agenda. Other factors, such as natural disasters, spikes in social indicators, and election year campaign platforms all contribute to pressures for policy change.

John Kingdon’s book *Agendas, Alternatives and Public Policies* develops a framework to explain when policy change occurs, and more specifically, what items will make the decision agenda for policy makers. Within the policy process, Kingdon asserts, there are three separate and distinct “streams” of information occurring. One stream covers the politics and public opinion of the jurisdiction, and is called the Politics stream. A second concerns problems in society, how they are defined, whether they are seen as getting better or worse, and whether events or crises in society highlight them as problems that need to be solved and that government can solve. This second stream is called the Problem stream. And the third stream consists of tried and untried solutions to policy problems, and thus potential solutions to specific problems that policy makers want to address (named the policy stream). Generally these three streams are largely independent of each other, but individual entrepreneurs or sudden events can cause a “window of opportunity” to open when there is pressure from the public and interest groups to solve specific problems, and there appear to be one or more ways to “solve” the problem. Policy change is likely to emerge from this window of opportunity when the moment is conducive to pass new legislation and to try new approaches to often old problems.

ADVOCACY COALITION FRAMEWORK

A rich line of political science research has developed often called policy subsystems to denote the attention paid to interest groups and others besides elected officials in the policy process. In a classic from the 1970s Heclo (1978) described the existence of “issue networks” as loose groups of Washington insiders, academics, think tank policy experts, media writers, and others who followed and influenced policy based on program or functional areas. Heclo’s work is part of the sub-government literature whose lineage traces back to the interest group pluralism writings of Truman (1971) and the community power local government research (Floyd, 1953 and Dahl, 1961).

Sabatier and Jenkins-Smith have developed the Advocacy Coalition Framework (ACF) over a fifteen year period to address long term coalitions and networks in policy making, to incorporate policy learning, and to highlight the key role of shared values and policy beliefs among members of the coalitions in resisting as well as moving change forward. The Advocacy Coalition Framework’s theory of policy change focuses on the policy subsystem, which Sabatier (1999, 119) says includes administrative agencies, legislative committees, and interest groups at one level of government as well as journalists, researchers and policy analysts, and actors at all levels of government active in policy formulation and implementation. Policy networks in these works are communication networks among 1) association and interest group members, 2) policy specialists and 3) elected officials and their staff who have specific policy interests and actively influence the policy process. The ACF views the policy subsystem of coalitions and strategies operating within specific institutional rules and resources as the most direct
factors leading to policy changes and policy impacts. The external systems the policy subsystem operates within consists fairly stable constitutional values, institutional rules socio-economic levels, the governing coalition, specific events and impacts from other subsystems, as well as current events and history in the making. There is little consideration of individual leaders or decision making processes. Broad strategies are assessed for their effectiveness in leading to policy change and have been tested using comparative assessments of similar policy making venues and different strategies to accomplish policy change.

FACTORS THAT INFLUENCE CHANGE

When one examines the policy change theories and categorizes the type of variables used to explain change, the factors for state and local government change are generally broken into internal and external jurisdiction factors and intergovernmental influences. Innovation and diffusion models have nearly all explicitly incorporated internal and external factors relative to the jurisdiction under study (most frequently the American states). The internal socioeconomic factors include per capita income, population, race, age demographics, and employment/unemployment rates, while internal political factors include partisan and divided control of the legislature and governor’s office, election year cycle, and fiscal health. Other internal factors relate to the specific policy/program under study and what theoretical factors are likely to impact its adoption. External factors have been defined largely as neighboring states or jurisdictions which have adopted the program while intergovernmental factors can be defined as the impact of federal laws, mandates or federal finances for the program.

The agenda setting or Kingdon’s policy streams theory is perhaps the broadest of the theories, and yet lacks many specific variables that have been repeatedly used in empirical studies. Indeed, trying to succinctly describe what variables have been used in difficult. Variables representing the three streams—political, problem and solution—are presented in case studies that weave a thick description of the policy’s historical development with the many particular events, policy advocates and political representatives that have worked on the policy’s behalf chronicled. Kingdon emphasizes the political aspects of policy change: campaigns, entrepreneurs who advocate changes, interest groups that build coalitions and bargain for advantageous policy language, as well as shifting public opinion that may be focused by disasters or other nearly random events that gain media attention and sway public sentiment to the need for policy change (without necessarily giving much guidance on what type of change should be adopted). However, his framework does not specify variables as cleanly as the other two models under discussion here.

The ACF considers three broad categories: (1) largely stable social and system factors, (2) external system factors and events, and (3) factors related to the policy subsystem itself. Sabatier and Jenkins-Smith (1999, 121) describe the “relatively stable parameters” of the policy as attributes of the policy and problem area, distribution of natural resources, socioeconomic values and the social structure, and constitutional rules and values. The policy subsystem is defined by its coalitions, policy beliefs, resources, strategies, institutional rules, and policy outputs.

CRITIQUES OF POLICY CHANGE THEORIES

Peter Easton in the 1965 classic *A Systems Analysis of Political Life* described the policy process from a computer-influenced input-output model. The political system and the policy change process are viewed as a “black box” where negotiations and influence occurs. The inputs to the political system are demands (claims for action from groups to accomplish their goals) and support from the environment. Outputs of the political system are the laws, authoritative decisions and resource allocations that occur from the decisions of elected officials. Yet even today, our theories of policy change focus on system environmental factors and outputs of policy with some attention to the political system (see especially the innovation and diffusion studies) and little specification of institutional rules, role of leadership and decision making processes.
There has been little research in political science and public administration on the role of decision making processes in policy change and the effectiveness of the policy outputs and outcomes. The three policy change theories discussed above have rarely incorporated decision making processes into their work, although some of the more recent comparative case studies by Sabatier are examining networking and decision making in consensus-building processes and finding that positive results do occur. 

Policy change theories have also not considered the impact of political decision making such as logrolling, and negotiations where “half a loaf is considered better than no loaf at all.” Policy makers trade off benefits and votes so that their top priorities on some bills are traded for votes that are other policy makers’ top priorities, even though the policy maker may be lukewarm or even opposed to the policy change for which they trade votes.

While there has been more consideration of leadership in the last decade through the inclusion of policy entrepreneurs and brokers in the models and case studies, there is still not any consideration of policy makers’ interests and history. Leaders are often motivated by their personal histories and family concerns, such as having parents with cancer or alzheimer leading to funding research centers on these topics. In Florida recently, a Senate President who is a chiropractor pushed through a bill and funding to create the first public-supported school of chiropractic. Berry and Flowers (1999) found that personal friendships and political trading were critical to the passage of budget reform, even when there were no opponents for the measure and little obvious cost necessary to pay for the reform. While these factors are difficult to capture in large studies, we could at least use dichotomous variables to denote the presence or absence of such features or priorities.

Networking theory is now being used by a few researchers (Schneider, et.al., 2003; Lubell, et.al., 2002) to assess how policy communication and linkages of individuals may affect decision making and policy outcomes. It holds promise in assessing policy change by providing a method to capture communication channels and networks, and understand the development and impact of social capital, trust, repeated relationships and personal friendships in policy making.

**STRATEGIC MANAGEMENT INSIGHTS AND OFFERINGS**

**Definition of Strategic Management**

Strategic management in the public sector is best characterized as including but going beyond strategic planning. Berry and Wechsler (1995, 159) define strategic planning as a systematic process for managing the organization and its future direction in relation to its environment and the demands of its external stakeholders. Strategic management involves taking the strategic planning process and extending it into an ongoing management paradigm of anticipating and managing organizational change and environmental uncertainty. It also helps organizations deal with uncertain futures by defining goals and strategies for achieving them.

A more entrepreneurial definition of strategic management is expressed in *Creating Public Value: Strategic Management in Government* in which Moore (1995) asserts that managers who operate from a strategic management perspective first and foremost create public value. In this view, managers are agents who help define what would be valuable for their programs and agencies to do instead of merely developing means of carrying out mandated services. Managers engage the politics surrounding their organization to help define public value and they reengineer how their organizations operate instead of expecting stability in policy and management styles. Moore (1995, 23) goes on to assert that managers have three different functions that they must serve to be effective: (1) judging and articulating the public value of their mission and purpose, (2) managing outward, toward politics, to invest their purposes with legitimacy and support, and (3) managing downward, toward improving the organization’s capabilities for achieving the desired purposes.

Poister and Streib (1999, 311) assert that strategic management presumes four functions occur which are:
“(1) continual monitoring of the ‘fit’ between the organization and its environment and tracking external trends and forces that are likely to affect the governmental jurisdiction or agency, (2) shaping and communicating to both internal and external audiences a clear vision of the type of organization the governmental unit is striving to become, (3) creating strategic agendas at various levels, and in all parts of the organization, and ensuring that they become the driving force in all other decision making, and (4) guiding all other management processes in an integrated manner to support and enhance these strategic agendas.”

The common features of the above definitions are that strategic planning and management should encourage agency leaders to manage change proactively, to more closely align their organization with its environment, and develop a clearer focus on the agency’s mission and goals. The written plan should be action-oriented, and focused on measuring and achieving results. Overall, the process and the plan should help organizations deliver their services more effectively and ensure accountability to the public.

Public Sector Strategic Management Distinctions

While many writers note that strategic management is common to both the private and public sector, there are important elements of strategic management unique to the public sector which include: (a) policy ambiguity, (b) a diffuse, open policy setting, (c) greater openness to participation by and influence from political officials, other agencies and the media than in the private sector, (d) more “artificial time constraints” due to turnover of officials and mandated time guidelines from courts and legislatures, (e) relative instability of political coalitions forged around a particular policy or solution, (f) greater likelihood of facing and employing an incremental decision-making process, (g) strategies are more likely to be emergent than intended, (h) there is a lower likelihood for managers to make a strong commitment to a specified set of objectives because of their lower level of control over changes policy makers may make, (i) need for flexibility and change, and (j) more constraints, interruptions, interventions and external contacts/stakeholders in public sector. These dimensions of the public policy environment are all potential factors to consider as impacts in a policy change theory. Some of these factors will be considered in more detail below.

Moore talks about strategic management in the public sector as requiring managers to become strategists rather than technicians. Managers “look out to the value of what they are producing as well as down to the efficiency and propriety of their means. They engage the politics surrounding their organization to help define public value as well as engineer how their organization operates. They anticipate a world of political conflict and changing technologies that requires them to reengineer their organizations often instead of expecting a stable harmony that allows them to perfect their current operations” (p. 20, 1995).

Decision Making Processes Matter

One key aspect of strategic management is to understand that the processes involved in decision making can have an impact on the outcomes of the policy that results. The policy change literature has not considered the type of policy making process used to the extent that it fruitfully should. DeHaven-Smith and Wodraska (1996) show that the consensus-building American Assembly process can be successfully used to address large scale water conflict and resource integration problems. Bryson (PAR, 2002) covers a variety of group facilitation processes that have been used in controversial policy areas to provide forums for conflicting stakeholders to talk and develop agreement. Berry, Stiftel and Aysin (2003) document the time and cost savings that alternative dispute resolution processes in Florida have saved citizens and agencies. In particular, conflict resolution processes that enable policy decisions to be made consensually and outside of adversary, litigation forums can lead to policies that last longer and develop longer-term agreements among the stakeholders involved. O’Leary and Yandle (2000) document
the growth of conflict resolution processes at the state level for many policy processes such as growth management, family disputes and environmental permitting.

**Organization Culture and Strategic Planning Develop Clear Values and Missions**

Political science has begun to incorporate the idea of citizen political ideology and more diffusely, political culture, in its studies to get at public opinion and broad-based values that may support or constrain policy change. In strategic management and organizational theory, the concept of organizational culture has a rich history and is often used to help explain how change is channeled and reinforced. Organizational culture is based on values, informal norms and work group opinions, leadership style as well as types of communication and power channels within the organization. Strategic management studies often cite the importance of attending to the organizational culture to produce long lasting change that really penetrates through the organization (e.g. Kouzes and Posner, 1987; Berry, Brower and Flowers, 2000).

Strategic management also highlights the importance of clear and inspiring agency missions and values in order to motivate change and support decisions that lead to reinforcing change e.g., Kouzes and Posner, 1987; Rainey and Steinbauer, 1999). In policy theories, the presence of clear agency goals is not often noted and rarely considered as a factor in whether change occurs and how it is specified.

**Utilization of Strategy for Assessing Changes**

Strategy is a specific course of action or group of activities that will be undertaken to accomplish established goals and objectives. In the private sector, Miles and Snow (1978) developed a classification of strategy that has been widely used and adapted. They created a Johari Window with four cells in a two by two matrix. Two types of competitor orientation exist: defensive and offensive. Two types of market volatility exist: high and low. This leads to a Window with four types of environments: disturbed, turbulent, placid and clustered placid, and four types of strategies are used: defender, reactor, prospector and analyzer/dreamer.

Nutt and Backoff adapt the typology to develop types of environments that exist in and strategies used to engage public sector environments. The two factors are Pressure for Action (high and low) and External responsiveness (high—collaboration—and low—avoidance). These combinations in a two by two matrix lead to four types of strategy: director, compromiser, bureaucrat, and accommodator.

In one of the few empirical studies in the public sector of strategy, Wechsler and Backoff (1986) develop four distinct strategies that they found used by agency leaders of Ohio state agencies: developmental, transformational, protective and political. In the developmental approach, the manager creates strategies to enhance organizational status, capacity, resources and energy to develop a new organizational future or mission. While the agency leaders use information from the external environment to craft actions, the impetus for change is internal and proactive from organizational leaders (as opposed to being forced upon the agency by outsiders). Transformational strategies are characterized by incorporating a high degree of change and risk taking since the means to these changes are not usually fully known. External forces and decision makers usually provide a high degree of impetus and influence over transformational strategies which generally have a policy or political orientation (Wechsler and Backoff, 1986, 324). The third strategy is named the protective strategy and is usually forced upon the agency due to an adversarial or hostile environment. The strategy seeks to hold the hostile forces at bay and essentially protect the agency’s basic operations and programs. The political and fiscal threats can come from legislators, powerful interest groups, and higher level governments that change or reduce the agency’s programs and budget. Finally, the political strategy can take two forms (Wechsler and Backoff, 1986, 325). In one form, the agency accommodates political changes in the external environment to reduce pressures for organizational change, with new groups or individuals gaining power and other previously influential groups losing power. In the second form, external forces may see the agency as an
opportunity to reward supporters and place partisan appointments in the upper ranks who may not have much experience or knowledge in the agency’s programs.

While these authors never suggest these strategies can be used for understanding how broader public policy change occurs, I believe a focus on explicit strategies that leaders of interest groups, elected leaders, and others use may help us understand the range of decision choices they are likely to employ. Our policy change reach should consider types of strategy that leaders can and might use to be successful in achieving their policy goals. Lowi (1965) developed a framework of policy types to explain the politics of the policy process each exists within. Strategies for different policy types for negotiations and courting public opinion could be one part of developing public change strategies.

CONCLUSION

Strategic management denies the explicit division between policy and administration that Woodrow Wilson and early administration theorists believed existed and exhorted managers to respect. Instead strategic management acknowledges and builds upon the critical role that administrators play in dealing with policy coalitions and policy change. But public policy theory concerning policy change can learn from the research that has been conducted on strategic management.

The field of strategic management research fundamentally answers the questions: How do managers effect change in policies and their administration? How do leaders manage change? Bryson (1995) even calls his strategic planning model the “strategic change model”. Much of the knowledge generated by strategic management studies potentially offer insights that can be transferred to a better understanding of public policy change. Our models for testing determinants of policy change can also gain from factors identified in strategic management research. These will be briefly summarized for the conclusion.

First, policy change theories need to continue capturing information on leadership and entrepreneurs to include in our models of policy change. Besides getting data on whether an entrepreneur exists for the policy in question, we can develop categories of entrepreneurs, such as King and Roberts developed in Transforming Public Policy (1996) and Berry and Flowers tested in Florida, (1999), to see where in the policy process the entrepreneurs have impacts and how they relate to the decision making processes that occur. Leaders bring political capital to the decision process and that leadership capital needs to be operationalized more adequately than through partisan labels such as republican, democratic and divided government which we have typically used.

Second, although Ingraham and Kneedler (2000) point out that little theory in strategic management has been developed to understand what makes up the “black box” of government management that links inputs to policy outcomes, I would argue that strategic management is further along in understanding the “black box” than are our theories of policy change. Inside the black box that we need to understand and specify more clearly are: communication networks and frequency, leadership styles and actions, leadership priorities, and the organizational culture of the organization in which policy change takes place. Some work in strategic management can point the way. There are strategies developed that leaders use to navigate turbulent environments and complex change. Which strategies are most successful in legislatures and in the coalition building that is nearly always present for broad policy change? What strategies do organizations use to build coalitions, gain advice from their numerous stakeholders and engineer change in complex networks? What decision processes are most successful in resolving disputes, leading to consensus and enabling policy change to endure and be effectively implemented? There is increasing evidence that alternative dispute resolution processes can lead to broad-based agreement on difficult policy change, and ensure that the agreement is carried over into the policy implementation stage. Thus the decision making processes need to be factored into our models and tests of policy change.

Third, we need a better language and specific typologies for the strategies that are used to develop coalitions, get issues on the policy agenda, communicate with stakeholders, and negotiate in the decision process for policy change. While the strategies from strategic management are not likely to be directly
transferable, the general idea of using strategies as both independent and dependent variables holds promise for testing the impact of behaviors on policy decisions and policy change.

Fourth, the processes of decision making that leads to effective policy change should be studied and understood better so they can be incorporated into empirical studies of policy change. Decision making processes, ranging from traditional legislative committee hearing processes to alternative dispute resolution processes or consensual policy making processes can make a difference on the substance of policy change adopted and its longevity in withstanding challenges in courts or legislatures.

Finally, while mission and goal ambiguity is often mentioned as a problem in policy implementation (e.g., Ring and Perry, 1985; Rainey and Steinbauer, 1999), few studies consider this as an issue that leads to or constrains policy change. Strategic management studies have shown that goal clarity (Weiss, 1999) and mission articulation (Kouzes and Posner, 1987) are key factors in leading individuals and organizations to deliver desired program outcomes. Thus it may prove to be an important factor in promoting or constraining policy change in the broader policy arena.

In the two decades since strategic planning was introduced into the public sector, strategic management has evolved from a framework that placed central focus on strategic planning to a more comprehensive strategic management framework in which strategic planning drives performance management and policy change initiatives (Berry and Wechsler, 1995). Strategic management takes a system’s view of organizational change and success, emphasizing leadership, the alignment of strategy and the organization’s mission with its budgeting, stakeholder management, and other management and policy processes. Strategic management works to integrate the planning outcomes throughout the organization, change organizational culture, and link internal policy decisions with external stakeholder and policy change management. This rich literature offers many insights into policy change, as this paper has tried to underscore. We hope that some of the suggestions from this paper might improve our discipline’s development of theory and empirical testing of public policy change.

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Chinese Public Policy Innovation and the Diffusion of Innovations: An Initial Exploration

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INTRODUCTION: THE IMPORTANCE OF LOCAL POLICY INNOVATION

In a rapidly changing country such as China, how to promote public policy innovation is an especially critical issue. Over the past twenty-five years, socio-economic change has proceeded at a pace rarely seen in history. As the economy became increasingly marketized and society increasingly pluralized, the Chinese Communist Party (CCP) leadership quickly realized that the old administrative system was rapidly becoming obsolete, and that new methods of governance were needed. While this realization pointed to the need for pro-active reform, at the same time new problems demanding resolution were constantly emerging. Thus policymakers have faced a bewildering array of public policy issues, all intertwined within an unprecedented systemic transformation. In such uncharted waters, no reform blueprint or storehouse of ready-made policy solutions is available. Thus innovation is especially important. That is, if the government is to succeed in effectively managing the economy and society, policymakers must generate new ideas and action-oriented models. Muddling through is of course one option – and in some policy areas this is the prevailing mode of action in China today – but if China is to complete the transformation into a well-governed and successful country, public policy innovation is essential.

Moreover, although attention is often focused at the apex of political power in Beijing, local-level innovation is probably most significant. Officials at sub-national levels – in the provinces, cities, counties, townships, and villages – directly face the many problems of governance and must craft solutions. These officials, especially those in the middle of the system, are crucial actors in Chinese public policy, for several reasons. First, decentralization has given them substantial power and responsibility. Second, although China is a unitary state, central policies tend to be vague, giving local officials substantial leeway in shaping local policies and implementation. Third, the center has difficulty in controlling its agents in the far-flung state apparatus. Lastly, the center tends to encourage local experimentation. Local officials thus are at the center of the battle to craft and implement new policies that address emergent and longstanding public policy problems. Local innovation has proven to be highly noteworthy over the past twenty-five years; promoting even more local innovation would seem to be vital to the health of China’s continuing transformation.

Closely related to the issue of policy innovation is that of the diffusion of policies across jurisdictions. From one angle, an innovation in one jurisdiction is often actually an adaptation (or wholesale copying) of a policy observed in another jurisdiction. A policy innovation is transferred from one location to another. From another angle, if good governance is the aim, one would hope that a successful policy innovation in one location would diffuse to other places. Thus when considering public policy innovation, one must ask not only when and why innovation occurs, but also when and why innovations travel to new jurisdictions.

This paper examines one case of policy innovation in China as part of an initial exploration of two interrelated questions. First, in contemporary China, what factors help or hinder the generation by sub-national policymakers of new and innovative ideas? When do new ideas and models arise, and where do they come from? Second, how do new ideas and models diffuse across jurisdictional boundaries in China? What mechanisms are important in promoting or hindering ideational diffusion? Developing answers to these questions can not only help us to understand better the Chinese administrative system. It can also provide clues as to how to facilitate more policy innovation and foster more diffusion of good
ideas both geographically and across the many levels of the system. Lastly, research in this area can contribute to the Western-centric theoretical literature on policy innovation and diffusion.

Yet this paper will offer more questions and hypotheses than answers, for it represents just the beginning of a new multi-year research project. Moreover, to my knowledge, scholars writing in English have not yet attempted systematically to address these sorts of questions with reference to China. Given the exploratory nature of this research, it perhaps makes sense to proceed in a purely inductive fashion. I will begin with a description of an example of Chinese local-level policy innovation and transfer, a pathbreaking effort in the city of Yantai to improve the quality of public services. This will then provide the springboard from which to launch into a more theoretical discussion that combines insights from the Western literature on the topic with the specific characteristics of the Chinese administrative system. The goal will be to illuminate salient features of the Chinese system related to policy innovation and to sketch out an agenda for future research.

INNOVATION IN URBAN ADMINISTRATION: THE CASE OF YANTAI'S “SERVICE PROMISE SYSTEM”

In 1994, the leader of a government department in Yantai Municipality introduced a pathbreaking new system, called the “Service Promise System” (fuwu chengnuo zhi), designed to enable his agency to do a better job of supplying public services. This innovation was soon adopted by city leaders and promoted in other bureaucratic units. Heralded as a successful model, officials in the central government in Beijing in turn attempted to facilitate its diffusion to other parts of the Chinese bureaucracy. Thus here we have a case of a local official who came up with an innovative solution to a vexing problem (an agency doing a poor job of providing public services), a city government that championed the innovative solution, and the diffusion of the innovation beyond its original jurisdiction. The rest of the this section will examine these processes in more detail.

The Problem

As is well-known, over its history the state bureaucracy of the P.R.C. has often not done an especially good job of actually “serving the people.” Controlling access to valuable services and lacking any accountability to the masses, cadres in charge of providing public services have traditionally displayed an anti-service mentality. Public services were of poor quality, guanxi (personal connections) was an important key to accessing government services, and citizens routinely had to face scowling bureaucrats for whom the notion “public servant” was quite alien. Thus in places such as Yantai, residents often have had to put up with poor public services and an unresponsive government administration.

As the provider of many basic services in Yantai, the Municipal Construction Commission (MCC) was the focus of discontent over the state of public service provision. As one official reported, the vast majority of complaints from citizens that reached city leaders concerned the MCC. Thus as 1994 began, the director of the Municipal Construction Commission, Li Dongxu, appears to have been on the lookout for new ways of dealing with the problem of poor public service provision and the “men nanjin, bian nankan, shi nanban” (“hard to get in the door, hard to deal with the bad attitude of officials, and hard to get things done”) phenomenon faced by Yantai residents seeking to conduct affairs with government agencies. He would soon find a possible solution, an innovation that he could introduce into Yantai.

The Origins of the Yantai Initiative

The story of Yantai’s Service Promise System begins with a dramatic example of the international diffusion of administrative reform models. In 1994, the Director of Yantai Municipal Construction Commission (jianweie yuanhui), along with a number of other municipal and provincial officials (mainly from the jianwei), took an “Advanced Management Training” investigation trip to Hong
Kong and Singapore. The trip was specifically for the purpose of finding out how these governments had tried to deal with problems such as bureaucratic inefficiency and the poor quality of public service provision. As the person in charge of overseeing the provision of many fundamental public services, Director Li Dongxu was looking for ways of improving the performance and reputation of his own piece of the municipal administration.

In Hong Kong, Director Li was introduced to an initiative called Performance Pledges in which administrative agencies would publish a set of “service promises” (fuwu chengnuo) and standards, while also setting up mechanisms by which the agencies could be at least partially accountable to city residents. Li Dongxu was sufficiently impressed by what he learned that, upon his return to Yantai, he immediately worked to conceive and implement within his agency a Service Promise System of his own, one that was closely modeled on what he had seen in Hong Kong. Consequently, he began an innovative experiment that would eventually get Yantai national headlines and help Director Li land a promotion to a post in the Ministry of Construction in Beijing.

Hong Kong’s Performance Pledges system had been introduced in 1992 by then-Governor Chris Patten. Yet this was not a home-grown creation. Rather, it was modeled after the Citizen’s Charter Programme that Prime Minister John Major had initiated back in the United Kingdom (Luo and Chen 2002, p. 353). Thus we see a long chain of policy diffusion – from the U.K. to Hong Kong, and then on to Yantai (and later, up to Beijing and to a number of other Chinese cities).

The Citizen’s Charter Programme and, by extension, the Yantai initiative were based on a set of ideas associated with the New Public Management paradigm in the field of Public Administration. This approach to public management (and administration) stresses (among other things) the need in administration for explicit standards and measures of performance, an emphasis on output controls, and the use of private sector styles of management (Hood 1991; McLaughlin, Osborne, and Ferlie 2002). In the reform of public services, the NPM paradigm calls for a new focus on “customer care”, on treating citizens who use public services as customers and clients.

In 1991, John Major embarked on what was described as “a campaign to guarantee the rights of individuals against the inefficiency and indifference that is widely – and often accurately – said to plague Britain’s faceless bureaucracy” (Gelb 1992, p. 11). Called by one scholar “an important political-administrative experiment” (Doern 1993, p. 17), the Charter initiative aimed at making service-providing agencies more oriented towards customer satisfaction. It was organized around six principles: standards, information and openness, choice and consultation, courtesy and helpfulness, putting things right, and value for money. In practice, for the most part it centered on “the publication of standards of service provision and means of public redress if these are not attained” (Chandler 1996, p. 3). Accompanying this was the idea that many public services should be exposed to competition, privatized, and/or contracted out (Lewis 1993). The goal was to infuse the bureaucracy with a service-oriented culture and to make it more transparent and accountable to citizens.

It is unlikely that Director Li understood or even cared much about the philosophical underpinnings of Hong Kong’s Performance Pledges Programme – what he saw was a model that seemed to work, that was spoken highly of in Hong Kong, and that had a good pedigree (coming from the UK). He saw something that could be useful to him as Director of one of Yantai’s largest yet most maligned agencies.

**Innovation within One Agency**

Upon his return from Hong Kong, Director Li Dongxu apparently informally discussed with municipal leaders his idea of developing a new sort of mechanism to improve the performance of the agencies under his command. Then he convened several meetings with the MCC and came up with a plan to devise a system that would follow the spirit of and take some of the particulars from Hong Kong’s Performance Pledges initiative. The new system would be called the Service Promise System (fuwu chengnuo zhi). The first experimental implementation of the SPS occurred in June of 1994, in ten MCC units that were on the front lines of service provision. Among these were the Municipal Gas Company,
the Municipal Water Company, and the Public Transportation Company. In January of 1995, a further eighteen units implemented the initiative.

The Service Promise System (SPS) centered on the publication by agencies of detailed Service Promise Statements (just as agencies in the U.K. had issued Charters). Although the precise formula underwent some evolution during the first year or two of implementation in the MCC, each statement was supposed to include several elements. First was a list of what services are provided by the agency, followed by a set of standards that the agency pledged to uphold in sponsoring these services. Next was a description of procedures to be followed when accessing services and time limits within which the agency must take action or respond (e.g. to an application or request for service, etc.). Lastly, the statements specified procedures by which a user of agency services could file a formal complaint with the agency and set out monetary compensation that the agency would grant in the event that it failed to respond to such a complaint in a timely manner.

As this suggests, the statements were aimed at making information available to citizens, forcing agencies to set and try to meet service quality standards, and setting up limited forms of accountability to the users of agency services. Each of these was something that had not been done before. Although in preceding years the city government had sporadically called on agencies to disseminate more information to the public, nothing much had ever happened as a result. The exercise of asking agencies to specify service quality standards was unprecedented and, for the first time, formally suggested that the agencies were actually there to serve residents, rather than to give them privileges or to lord it over them. Moreover, the most striking new feature of the SPS was how it gave citizens new and clear channels within each agency for making complaints. Typically, one office within an agency was given the task of taking complaints and acting on them.

Now, it is obvious that this sort of exercise could easily amount to nothing in terms of impact on an agency’s service. No legal mechanisms were established. Citizen complaints could be easily brushed aside. And the standards and promises were set by the agency itself, rather than through citizen input or by an official with authority over the agency.

It is also true, nevertheless, that the SPS devised a potentially effective mechanism through which agency leaders could bring about some degree of change in how their organization operates and interacts with the public. That is, it was a mechanism to spur, from within, internal change in an agency. It was a method with which leaders could shape the behavior of those bureaucrats who were directly in charge of public service provision. As such, the degree to which the SPS would actually bring about change would depend mostly on the seriousness with which Director Li insisted on its strict implementation.

By all accounts, Li Dongxu pursued the effective implementation of the SPS with zeal. This is not hard to understand, for after all, this was “his baby”, and he had everything to gain by seeing it succeed. And he had ways of trying to achieve success. For example, he made performance in implementing the SPS and improving service quality a key basis on which cadres in his agency would be judged during the yearly cadre evaluation exercise (Li and Li 1996, p. 7). He also reports having authorized surprise inspections of units under his command.

As mentioned earlier, a full evaluation of the effect of the SPS on service quality is impossible due to the lack of data. Nevertheless, it appears that the introduction of the SPS did lead to a spurt of activity that resulted in real improvements. With Director Li breathing down their backs, those in charge of individual MCC units endeavored to be more user-friendly and looked for ways of making concrete changes. Though there is no independently-verified concrete evidence, it seems reasonable to believe that improvement did actually occur. Much was made at the time of the reported fact that calls to the Mayor’s complaint hotline concerning MCC units declined by over 50% after the SPS was implemented. If nothing else, residents probably found the MCC more willing to hear and act on their complaints and problems.

What we do know is that during the first few months of 1995, Party leaders in Yantai became convinced that the experiment in the MCC was worth expanding to other municipal agencies. Although this in itself is no proof that the SPS was generating real improvement in how MCC units operated and in citizen satisfaction, it suggests that the SPS was proving to be at least somewhat effective, while also
presenting an attractive model in general. No doubt, Li Dongxu did all he could to convince Party leaders of the effectiveness and potential of his experimental system. Party leaders saw its merits and decided to make the SPS a city-wide initiative. In this way, the SPS idea emerged from within one piece of the city administration to become one of Yantai’s signature policies and, eventually, Yantai’s claim to fame within the Chinese state.

An Innovative System becomes a City-Wide Policy

Party leaders in Yantai shared with Li Dongxu the interest in finding ways to improve the operation of the municipal bureaucracy and to increase public satisfaction with government. It seems clear that for both Li and city leaders, the interest in this was driven to a substantial degree by the desire to be noticed and perhaps rewarded by their superiors at the provincial level and in Beijing. That is, it does not appear that they were under any sort of real pressure from above to actually do something significant to improve the quality of public service provision. This was rather one of those areas in which strong action was in effect, optional. In fact, it was also an area in which an innovative and successful policy just might enable a municipal leadership to stand out among its peers in the eyes of a select group of powerholders in Beijing. As was discussed above, the SPS could easily turn into a toothless initiative. Yet the SPS could make a real difference – if city leaders pushed it hard and ensured that there was real and continual pressure on individual units to accomplish it faithfully.

In May of 1995, Yantai municipal government began the effort to get the SPS implemented throughout the service-providing parts of the bureaucracy. First, twelve agencies were instructed to draw up their own service promise statements and to activate the SPS in each of their service-providing units. Included among these were the Bureau of Post and Telecommunication, the Bureau of Industry and Commerce, and the Municipal Transportation Commission. Over the next two years more agencies were added, so that by 1999, a total of 26 agencies had established the SPS. This involved the production of multiple service promise statements within each agency (as each unit would produce its own). The SPS was, of course, more important in some agencies than in others, according to how much “service-providing” the agency actually did. A city-wide guide to service promise statements that was published in late 1997 listed 53 service-providing units as participants in the scheme, of which seventeen were part of the Municipal Construction Commission.

The city-wide drive to implement the SPS and to improve the quality of public service provision involved action in a number of areas. First, the government undertook to instruct agencies in how to draw up a service promise statement and create the administrative infrastructure needed to support it. Second, some attention was given to holding intra-agency training sessions to educate front-line staff about the SPS and principles of good service. A third, and very important, aspect of the effort centered on publicity. The fifth and final area was the creation of mechanisms through which to evaluate and supervise agency performance in implementing the SPS and in providing public services.

Much more could be said about these five aspects and the implementation of the SPS. Yet that would be moving beyond the scope of this paper. For what is of interest here is that the Yantai government did in fact take relatively strong steps to initiate an innovative new system within the bureaucracy, one that also involved a new policy governing bureaucrat-citizen interactions. The government’s effort in this regard, while not completely successful, was far from superficial. Despite problems in effectively evaluating and monitoring the functioning of the SPS, it seems clear that city leaders exerted significant pressure on agency officials to make improvements in the quality of public services and in agency interaction with members of the public. The Yantai government’s championing of the SPS idea and the goals of improving service quality created an environment in which agencies had to at least make some efforts in that direction. Moreover, some agencies could grasp the opportunity to make real changes that would gain them accolades from city leaders and in the media. In general, agency leaders seem to have realized that they had better make at least some improvement in order to avoid negative scrutiny by their superiors. The city government used the results of the Democratic Evaluation and its own other informal investigations to recognize good performers. For example, in March of 1998,
the Yantai Party Committee and People’s Government issued an “Honor Role” (guangrong ce) that listed 15 units, five agency leaders, and 53 mid or low-level officials as doing an exceptional job of implementing the SPS.\textsuperscript{17}

In short, city leaders were committed to seeing the SPS succeed, at least to a degree. And some agency leaders also pursued the goal of improving the quality of public service provision with a certain zeal.\textsuperscript{18} Key officials in Yantai thus embraced Director Li’s innovative policy and promoted it as a key accomplishment of the Yantai Municipal Government.

### Efforts to Transfer the Innovation to other Localities and Bureaucracies

During 1996, a full-scale push to spread the Service Promise System model to other cities and parts of the administrative bureaucracy got under way. A set of ideas for how to improve the provision of public services that originated in the United Kingdom now began to diffuse out of the city of Yantai and across the vast Chinese bureaucracy. This diffusion began as a result of efforts by Yantai officials to achieve recognition from their administrative superiors (most immediately, in the Provincial Government). These efforts were successful and ultimately attracted the attention of national-level officials in Beijing. And once the idea had percolated up to the top of the system, officials at the top decided to use their influence to thrust the SPS onto governments in other municipalities and administrative systems. Two sets of agents there led this push: first, officials at the Ministry of Construction (the national-level superior of the Yantai Municipal Construction Commission) and, second, leading Party officials in Beijing who were in charge of the ongoing effort to battle corruption and irregular practices within the bureaucracy (i.e. those in charge of jiufeng gongzuo). In addition, people affiliated with the Chinese Public Administration Society also played an important role in popularizing the SPS.

In the latter part of 1995, the Yantai Jiufeng ban (Office for the Correction of Unhealthy Tendencies) sent a report on Yantai’s efforts to implement the SPS to the Shandong Province Jiufeng ban. In response, on October 17, 1995, the provincial office issued a circular to all of its lower-level offices in the province. This circular noted that over the years many localities had used various methods in attempting to improve the functioning of the bureaucracy, but that none of these efforts showed the promise of or had succeeded nearly as much as Yantai’s SPS. It called Yantai’s SPS a “breakthrough” and urged other localities to imitate it. Around the same time, a newsletter of the Ministry of Construction published a glowingly positive description of the Yantai MCC’s SPS.

Subsequent communications eventually brought the SPS to the attention of Xu Qing, the Director of the national-level Jiufeng ban in Beijing.\textsuperscript{19} He was reportedly quite excited about Yantai’s experience with the SPS and decided to make this into a model to be used elsewhere as well. In May of 1996, the national Jiufeng ban and the Ministry of Construction jointly sponsored a two-day set of meetings in Yantai on the topic of “spreading the experience of the Yantai Municipal Construction Commission’s Service Promise System.” Both Xu Qing and Hou Jie, chief of the Ministry of Construction, took part. A report on this meeting and on Yantai’s SPS experience was later sent up to the State Council and received a favorable comment by Premier Li Peng.\textsuperscript{20} And some months later, a “Meeting to Report on the Yantai Experience” was held in the Great Hall of the People in Beijing. Thus not only had Yantai gotten itself into the spotlight, but it also seemed to have actually produced an idea that could prove useful in agencies across the country.

Shortly thereafter, the effort to spread the SPS proceeded on several different fronts. In June of 1996, the Party Ministry of Construction issued a “decision” to all of its lower-level units asking them to study the SPS of the Yantai MCC and to work on inaugurating the system themselves. After getting approval from State Council leaders, Xu Qing and his Jiufeng ban decided to promote the SPS in two other ways.\textsuperscript{21} First, eight ministry-level agencies under the State Council were designated as test sites for the spread of the SPS. In August a meeting was held in Beijing to bring together relevant officials and get this initiative off the ground. Second, twelve cities were also designated as test sites, and in September a meeting focused on this proposal was held in Dalian. After this first wave of initiatives, a circular was
jointly issued by the Jiufeng ban and the eight “test site” agencies that urged all local governments to adopt the SPS model.

Judging the degree to which these efforts actually resulted in the spread of the SPS would require a great amount of research and is beyond the scope of this paper. Scattered reports suggest that the SPS idea was adopted to one degree or another in some other places. An official with the Yantai Electric Power Bureau reported that his bureau started really trying to activate the SPS only when its superiors at the provincial and national levels started putting pressure on it to do so, suggesting that the SPS did indeed spread throughout this particular piece of the bureaucracy. And a 1998 article in the journal Management of Local Government described how, beginning in mid-1996, the government of Jinhua City in Zhejiang Province had implemented the SPS in twenty-three of its agencies (Zhang 1998).

In fact, according to a leading Chinese political scientist in Beijing, most local government just “went through the motions”, creating the appearance of an SPS without actually implementing one. His argument for why this is the case is simple yet insightful. In his analysis, the Yantai city government had a feeling of ownership over the SPS and saw clear benefits to be gained by making it work (again, at least to an extent). Yet whereas in Yantai the SPS was a home-grown innovation, in other localities it was just another policy directive thrust upon local leaders from above. Moreover, despite enthusiasm for the SPS on the part of the Jiufeng ban, a serious effort to prod local governments and national line ministries into adopting the SPS and making it work was never made. The Jiufeng ban lacked sufficient authority, and no monitoring mechanisms were set up. As a result, the SPS became something that local officials could safely ignore or just pay lip service to.

In the end, it appears that the diffusion of Yantai’s SPS innovation diffused to other localities and pieces of the state administration only to a limited extent. It proved difficult to engineer from the top-down the transfer of an innovative policy across jurisdictional boundaries. Why? Some elements of a possible answer have been alluded to above. It is time now to step back and use the case of Yantai’s SPS to facilitate a more general discussion of the politics of policy innovation and policy diffusion in contemporary China.

POLICY INNOVATION AND THE DIFFUSION OF INNOVATIONS

At the outset of this paper, two questions were highlighted. First, when and why do subnational officials generate new and innovative policies? Second, how do policy innovations diffuse across jurisdictional boundaries? At first glance, this division makes sense: one can look separately at policy innovation and at policy diffusion or transfer. However, on closer inspection, the two issues seem hopelessly intertwined because it seems that most policy innovations are not thought up de novo, but rather involve some degree of learning from the experiences of another locality. That is, there is usually some degree of policy diffusion or transfer involved, whether it takes the form of simply being inspired by a general principle used elsewhere or the wholesale adoption of someone else’s policy. Yet subsuming the study of policy innovation within the rubric of policy diffusion would lead to an overly narrow perspective on the politics of innovation.

In order to rescue the study of innovation from being overwhelmed by a focus on processes of diffusion, an analytical distinction is in order. That is, it makes sense to separate the cross-national diffusion of ideas from intra-country diffusion. Apparently, the question of when and why an innovation emerges for the first time in a specific country can be analytically separated from the question of why and how an innovation spreads to other localities within a country. The former question may very well involve learning from abroad – the cross-national diffusion of ideas, and this can be investigated within the context of asking why an innovation emerged in a specific locality. The latter question gives primacy to processes of diffusion, but would naturally lead to an investigation of why some localities pick up on the innovation and why some do not.

In addition, studies of diffusion cannot shed light on a very important phenomenon: the emergence of people who, in the existing literature, are called “entrepreneurial executives” or “public entrepreneurs”. Innovations in governance generally need a champion. Bureaucratic agencies and systems
resist change, and thus someone with the necessary skills and resources has to emerge to bring about change, to introduce innovation. The study of innovation in China and elsewhere needs to ask why and when such entrepreneurs emerge.

Consequently, we have an agenda for the rest of this paper. I will raise and briefly consider three questions that seem worthy of future research. First, what role do policy ideas from abroad play in facilitating public policy innovation within China? Second, when do entrepreneurial executives arise within China? Third, what processes of policy diffusion can be found in China? My consideration of each of these will be aimed at promoting research that would eventually generate ideas about how to facilitate more policy innovation within China and the transfer of good ideas across jurisdictions within China.

FOREIGN IDEAS AND DOMESTIC INNOVATION

In recent years, many scholars in the West have turned their attention to the globally increasingly important phenomenon of cross-national policy transfer and diffusion. As Dolowitz and Marsh (2000, 5) put it, this literature is “concerned with the process by which knowledge about policies, administrative arrangements, institutions and ideas in one political system (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political system.” They note that the incidence of policy transfer increased substantially during the 1990s. China is certainly not alone in seeking to learn from and being influenced by foreign ideas. And the study of cross-national diffusion with reference to China can generate insights that can enrich the Western-centric theoretical literature on this topic.

The Yantai example highlights how Chinese policymakers can gain inspiration for public policy innovations during trips abroad. While the degree to which China should adopt ideas and policies developed in other countries has been the subject of intense debate within China over the past century and a half, during the reform era Chinese officials have made intense efforts to learn from the experiences of the Western world, in particular. Yet obviously, this process has involved what Pitman Potter calls “selective adaptation,” as policies are altered to fit the Chinese context and the particular objectives of the importer (be it a person or an organization).

Three lines of research seem significant in this context. First, when do foreign ideas become the basis for innovative policies within China? The case of Yantai’s Service Promise System suggests perhaps the most straightforward path through which this can happen: an official picks up an idea or policy that he can implement within China essentially on his own authority. This example also implies that when the new innovation is not threatening to the existing distribution of power and resources, it has a greater chance of being adopted. While hardly pathbreaking, these observations help to define the outlines of a research agenda. Perhaps certain policy areas in China more open than others to innovation derived from looking to foreign examples. Efforts to learn from foreign examples, through fact-finding trips, seem undoubtedly useful, but are some more useful than others? That is, do particular designs and agendas for these trips result in more productive trips and in more readily applicable lessons? Moreover, it appears obvious that innovation based on foreign ideas is more likely to happen on a very local and small-scale level, such as within a particular piece of an urban administration. This indicates that more encouragement should be given to individual officials to experiment within their jurisdictions and that lower-level officials perhaps should be given more chances to learn from overseas examples (instead of giving most chances to higher-level officials). Finally, there is the broader issue of why officials turn to foreign ideas and models. The theoretical literature makes it clear that this should not be viewed as a strictly rational, problem-solving approach, in which officials face policy problems and thus look abroad for the best solutions (Hall 1989; Ikenberry 1990; Nakano 2004). Officials do indeed search their environment (local, national, global) for solutions, but their choice regarding what ideas to import and how to adapt them to the local context reflects a highly subjective process of evaluation in which a variety of factors (such as self-interest, power considerations, etc.) play a role.

This last point leads directly to another core question and points towards a second line of research: to what degree are foreign models adapted upon introduction to China? And how does this
adoption affect the success of these policies in achieving desired outcomes? We need systematic studies of how foreign policies and models (or the manner of their implementation) are changed upon introduction to China and on what factors affect the degree of adaptation that occurs. When British officials visited Yantai to learn about the adaptation there of the U.K.’s Citizen Charter Programme, they were struck by how “draconian” the Yantai government was (in comparison with the British government) in implementing the new system. This was an adaptation that seems to have made Yantai’s version more immediately successful than the British version. And yet one suspects that in many other cases, the process of molding a foreign idea to fit into the local context weakens the impact of the new policy, making it less innovative and successful. There is a tricky balancing act involved here that needs careful examination.

Finally, and more broadly, there is a need to develop an overall framework with which to analyze the transfer of policies into China. There is no space here to delve into the intricacies of such an endeavor, so I will simply concur that the framework developed by Dolowitz and Marsh (2000) seems both promising and very applicable to examining policy transfer into China. Their framework consists of a series of questions: Who are the key actors involved in the policy transfer process? Why do actors engage in policy transfer? What is transferred? From where are lessons drawn? What restricts or facilitates the transfer process? How is the process of policy transfer related to policy “success” or “failure” (however defined)? This is obviously an exhaustive list of questions, and each points to rich opportunities for research. An important component of addressing these questions is a focus on the processes by which information is communicated. Wolman and Page (2002) argue that scholars of policy transfer should examine information networks that include producers, senders, facilitators, and recipients of information, looking especially at how “information is processed, framed, and assessed.” This indeed seems crucial, for as they note, policy transfer is at heart about learning (be it individual or organizational learning), and so understanding the cognitive processes by which learning occurs is essential. Combining the Dolowitz and Marsh framework with Wolman and Page’s advice to focus on information networks results in a promising way of organizing research on the cross-national transfer of policies into China.

ENTREPRENEURIAL EXECUTIVES IN CHINA

The Yantai case illustrates the key role that individual officials can play in conceiving and implementing innovative policies. Director Li Dongxu, an administrative official, developed a new initiative, made it work in his own department, and used his skills and connections to promote the initiative to both local and national superiors. Not only are individuals important in generating new and innovative ideas, but also leadership is essential in propelling innovative initiatives to get off the ground and achieve any sort of success. Innovation challenges the status quo; bold and skillful individuals are immensely helpful in enabling such a challenge to succeed. The implication here is that to promote greater innovation in public policy in China, the CCP should do what it can to facilitate the emergence and activities of officials who take on the role of “public entrepreneur,” “entrepreneurial executive,” and “policy entrepreneur” – officials who are creative and who can use this creativity to develop and implement innovative solutions to public policy problems.

Of particular interest is a Western literature that explores entrepreneurship among public officials. In their fascinating edited book, Leadership and Innovation: Entrepreneurs in Government, Doig and Hargrove (1990) compile biographical analyses of thirteen “entrepreneurial executives,” government officials “whose careers at managerial levels were linked to innovative ideas and efforts to carry these ideas into effect” (7). On the basis of these sketches, they identified three personal attributes and four types of historical conditions that seem favorable to the exercise of entrepreneurial leadership within government that makes a significant impact. Replicating this sort of research in China would undoubtedly be fruitful. Who have been the most innovative local officials during the reform era? What are their backgrounds? Why were they able to succeed?

The work of Teske and Schneider (1994; also see Schneider, Teske, and Mintrom 1995) proposes an alternative yet complementary approach. Conceiving of bureaucratic entrepreneurs as “actors who help
propel dynamic policy change in their community,” they eschew the biographical approach and instead argue that the emergence of these actors is a function of the characteristics of their community (331). This, of course, raises the question as to whether this may also be true in China.

Finally, although his focus is somewhat different, Mintrom’s (1997) work points to the importance of examining in detail exactly how these entrepreneurs identify a problem and work to obtain support for their innovative solution. Within the Chinese context, how do local officials not only come up with innovative policies, but also acquire the political support to implement these policies?

This is where the particular context of Chinese local government officials becomes especially relevant. Indeed, if studies such as these are to help to uncover ways in which public entrepreneurs can play a greater role in policy-making, they must clearly identify the structural constraints and incentives that shape the behavior of local officials. They also need to analyze what constrains or enhances the ability of these entrepreneurs to get their innovations activated. Certainly, of central importance here is the CCP’s Cadre Management System. All potential entrepreneurial executives in China must operate from within the Party’s nomenklatura and cadre management systems. This means that they are strongly oriented towards pleasing their superiors in the Party, since their career trajectory is officially determined by the results of the yearly cadre evaluation. Nevertheless, at the same time, networking and connection-building is a critically important aspect of being a cadre in China. How these factors play into either stifling or encouraging innovative activity is not at all clear, which is unsurprisingly given the paucity of research on this subject. It does seem apparent, however, that since Chinese officialdom is organized into lengthy chains of authority, stretching from the top to the bottom (in contrast with Federal systems such as the US), building flexibility into the system is key, as is the deliberate introduction of incentives for officials to take risks with innovative policies.

At the same time, the success of entrepreneurial executives in their efforts to implement innovative policies may also (depending on what sort of policy is involved) rest on their ability to use the cadre management system to prod lower-level officials to cooperate faithfully. Director Li in Yantai was apparently able to use his influence over the yearly evaluation of officials within his department as a stick with which to encourage front-line officials to take the SPS seriously. This may be sufficient for innovations within one agency, but for those of larger scope the problems of implementation are much more complicated. Thus the question of how to encourage entrepreneurial executives and their innovations also touches on the knotty issue of how to improve the facilitation of policies in China.

THE DIFFUSION OF POLICY INNOVATIONS WITHIN CHINA

In the case of Yantai’s SPS, diffusion of the innovative model took what is probably a fairly typical path. A locally-generated innovation was noticed by officials in the Central Government in Beijing, who then decided to promote it on a nationwide scale. This pattern of movement of an innovation from one locality to the Central Government and then to other localities is seen also in the United States (Karch 2003, p. 11). Yet beyond this simple observation lie important questions about the forces that propel or hinder such diffusion across different jurisdictions in China and in similar large states.

The Yantai SPS example highlights some of the mechanisms that are involved in the diffusion of innovative policies. It may be useful to discuss these with reference to several steps that are involved in the diffusion process. First, once local leaders had come up with and implemented an innovative policy, they evidently made great efforts to get their innovation noticed by officials at higher levels of the Party-State. We see here a general feature of central-local interaction in China: local officials have to work to try and make themselves stand out in the eyes of their superiors one or more levels up the administrative hierarchy. This reflects a pattern of competition among localities for the attention of officials in the provincial and central governments. How is this done? It helps to have a policy that resonates with the prevailing concerns of the higher-ups (SPS spearheaded a concern to curtail corruption). But one suspects that personal connections are also crucial. And then there is the use of normal administrative channels, the sending of memoranda to superiors at higher levels of the state. In their effort to get their concept noticed, Yantai officials seem to have engaged in communication with both the provincial and central
governments at the same time. In this case, the innovators were entrepreneurial in trying to bring their new idea to the attention of others. Since this meant that the target was their superiors, it generated a pattern of local to center to local diffusion. In other cases, of course, local officials may go “shopping”, visiting other localities thought to be more “advanced” (such as Shanghai) in search of new policy ideas. This would lead to a local-local pattern of diffusion.

In the diffusion process observed in the Yantai SPS example, the second step was for central leaders to learn about and decide to promote the innovative policy. The decision to do this may simply occur based on relatively idiosyncratic factors. Yet it is worth asking whether there may be certain parts of the central bureaucracy that are more open and receptive to locally-generated innovations.

The next step in the process is an effort by the Center to promote an innovative policy. The Yantai example showcases some of the mechanisms the Center uses to do this. First of all, two departments took charge of the effort. Then circulars were sent to various parts of the administration and to local government offices, urging them to adopt the SPS. Conferences were held to disseminate information about the SPS and to generate publicity while also signaling the importance of the innovation. Finally, test sites were established – particular agencies and localities were given special attention and instructed to get into the forefront of the effort to implement the SPS in places other than Yantai. Evidence suggests that this drive to spread the SPS met with little real and lasting success. Why? Are these methods used by the Center to spread innovative policies effective?

Answering this question involves looking to the fourth and final step in the diffusion process: the adoption and implementation of the new policy by another organization or jurisdiction. In examining this step, two questions stand out. First, why and when would an administrative organization or local government take the step of adopting an innovation championed elsewhere? In the Yantai SPS example, other local governments apparently saw little benefit in adopting the SPS, suggesting that the main driving force behind the zeal of Yantai’s officials was the desire to be noticed by superiors. Perhaps local governments would much rather come up with something new than merely borrowing ideas from other local governments. Second, how successful is the Center in “forcing” the diffusion of innovative policies? Much of the Center’s effort in this regard seems to focus on cajoling and persuading officials to adopt and implement a policy, since it lacks the ability to enforce strict implementation of policy in many areas.

So in this area as well, there are rich opportunities for further research. Moreover, there is also an intriguing opportunity for comparison of the dynamics of diffusion across jurisdictions in China with the dynamics of such diffusion in the United States. There exists a large literature on the diffusion of policy innovations within the U.S. While much of this literature is quantitative and thus sheds little light on the process of diffusion (what I see as the most interesting aspect of the phenomenon), some more recent efforts, including that of Wolman and Page (2002) mentioned earlier, are beginning to look more closely at how diffusion takes place. In particular, a recent Ph.D. dissertation by Andrew Karch (2003) presents a highly attractive framework for the study of the diffusion of policy innovation across American states. Karch proposes that policy diffusion consists of four political processes that may occur separately or simultaneously. His focus is on the state to which an innovation is being diffused. Thus his framework actually fits into the fourth step discussed in the preceding paragraph. Adapting the categories somewhat to fit better the Chinese context results in the following set of processes. Agenda-setting is the process by which a policy innovation gets on the agenda of the local government. Information generation is that by which local officials acquire information about the new policy. Customization refers to how local actors alter and shape the policy to fit their own agendas and local conditions. Lastly, enactment concerns the implementation of the innovative policy. While space does not permit further discussion of these categories, they may be a useful way of organizing illuminating and provocative lines of research into the diffusion of policy innovation in contemporary China.

CONCLUDING REMARKS

There is a pressing need for more research on the issues discussed in this paper. Despite the seemingly obvious importance of these issues, Western students of Chinese politics have paid relatively
little attention to them. This has left a large hole in our comparative understanding of the dynamics of
Chinese politics and the functioning of the Chinese administrative system. At the same time, the Western
literature on policy innovation and diffusion is heavily slanted towards the study of Western societies;
thus the degree to which the theoretical findings of this literature are applicable to non-Western societies
and developing countries remains an open question. The study of policy innovation and diffusion in
China would certainly enrich the Western-centric theories on which the discipline of public
administration is founded. In this paper, I have made various references to Western theories and
introduced some frameworks derived from Western studies. This is not at all based on any assumption
that these theories are appropriate – the simple fact is that this is all we have to go on at the moment. The
challenge for scholars of Chinese politics and administration is to build from of this existing literature and
engage in empirical research that may very well result in serious modifications to these frameworks or the
development of novel theories that have broad applicability.

Moreover, despite the obvious fundamental differences between the political systems of the U.S.
and P.R.C., intriguing parallels in the dynamics of the administrative systems reveal that comparison of
the two cases can prove enlightening. Both states possess characteristics of what Laumann and Knoke
(1987) call an “organizational state,” with highly complex and fragmented bureaucracies and dynamic
patterns of organizational interaction. More germane to the concerns of this paper is that the role and
position of local government in the two systems are strikingly similar. Although in the U.S., local
governments (states, cities) are formally independent, while in China they are formally but a lower-level
branch of a unitary state, in practice local governments in both countries operate in a situation of
constrained autonomy. In the U.S., the past two decades have seen a substantial devolution of power and
responsibilities from the Federal government to the states (Conlan 1998), suggesting the degree to which
the Federal government is able to constrain or loosen its influence over policy at the state level. And in
China, the past two decades have witnessed substantial decentralization, with greater autonomy being
given to provinces and municipalities. Thus in both countries, local governments are able to be on the
forefront of innovation with regards to policy. Picking up on a phrase used in 1932 by Supreme Court
Justice Louis Brandeis, Karch (2003, pp. 2-3) hails the American states as “democratic laboratories,”
places in which experimentation and innovation enlivens and strengthens policymaking and governance.
In the same way, local governments in China play a crucial role in experimenting with new forms and
methods of governance. The practical question for China’s leaders is how to encourage positive
innovation and experimentation at the local level while checking the tendency for local officials to act in
dictatorial and corrupt ways.

Indeed, the overall point of this paper is to spur research on questions of practical significance.
Despite the great strides made in China over the past two decades in re-fashioning the administrative
system and reforming the economy, vexing governance problems and policy issues remain unsolved.
Spurring greater innovation at local levels and smoothing the transfer of innovative policies among
localities seems a promising avenue through which to generate solutions to these problems and create the
conditions under which China can continue to prosper in the years to come.
Perhaps the most famous and consequential example is that of agricultural decollectivization. In the latter half of the 1970s, before Deng Xiaoping and the CCP formally announced the policy of decollectivization, innovative experiments in this area were underway at the local level, most famously in Anhui and Sichuan.

This understanding of policy innovation follows the classic definition introduced by Jack Walker (1969, 881) in his seminal study “The Diffusion of Innovations among the American States”: a policy innovation is “a program or policy which is new to the states adopting it, no matter how old the program may be or how many other states may have adopted it.”

I must confess that since I am at an early stage of research, I have not had the time or opportunity to look for and read any Chinese language studies on this topic that may exist.

Yantai is a municipality located on the northeast end of the Shandong Peninsula, across the Bohai Sea from Dalian and across the Yellow Sea from North and South Korea. With a total population of around 6.4 million, it is one of the largest municipalities in Shandong Province. During the latter half of the 1990s (the period covered here), the municipality encompassed five urban districts (with a population of around 1.6 million) and eight counties or county-level cities.

The information reported here was acquired during research carried out in Yantai and Beijing during 1999 and 2000. Unless otherwise noted, the information comes from informal discussions with scholars and other knowledgeable people. I have tried to piece together a reasonably accurate story. I hope that Chinese scholars who may know more about the details of this case will alert me to errors of fact or interpretation. I wish to express my deepest gratitude to the many Chinese who have graciously offered their time and expertise, as I have sought to understand the dynamics of Chinese politics and development.

Of course, this observation could also be made in reference to many state bureaucracies.

The Yantai Municipal Construction Commission (MCC) is one of the core agencies of the municipal government and is responsible for overseeing a vast array of public services. As of the mid-1990s, it presided over several administrative departments and 28 public companies and service organizations (sheiye danwei). Some of the numerous areas within its jurisdiction were city planning, construction-related activities, taxi services, public transportation, public sanitation, and the public heating system. In short, the subordinate units of the MCC came into contact with and had an impact on the general population on a daily basis.

Director Li Dongxu himself wrote openly and frankly in the important national journal Zhongguo xingzheng guanli (Chinese public administration) about the serious problems within his agency and high level of discontent among the population with his agency’s performance prior to the experiment with the Service Promise System. See Li and Li (1996, p. 6).

Indeed, the ideas and techniques used in the Citizen’s Charter Programme continue to show up in various places. In 2003 the Prime Minister of Nepal launched a new programme that deliberately copied the UK model (The Rising Nepal, 20 November 2003), while in India the Department of Posts released its own Citizen’s Charter (The Times of India, 9 July 2003).

NPM ideas are seen by many as helping to drive a global public management revolution, shaping administrative reforms introduced in a diverse array of countries. See Kettl 2000; McLaughlin, Osborne, and Ferlie 2002. On the Citizen’s Charter Programme as an example of NPM thinking, see Doern 1993, p. 22. For a broader discussion of the relationship between NPM ideas and administrative reforms in Hong Kong, Singapore, and China, see Cheung 2002.

The full name is shehui fuwu chengnuo zhi, which translates more awkwardly into English, but which does suggest more clearly that the focus is on services provided to society (shehui).

The information in the rest of this paragraph is from Li and Li 1996.

As with the other units under MCC control, these were administrative units directly attached to the MCC.
For example, this was cited by the Yantai Propaganda Department chief at a speech in 1996. See Rong 1997, p. 47.

See Wang and Ren 1997. The authors were the Party Secretary and Mayor, respectively, of Yantai at the time.

“Shixing shehui fuwu chengnuo zhi, tansuo jiaqiang zhiye daode jianshe xin tujing” (“Implementing the social service promise system: exploring a new way to strengthen the construction of professional ethics”), a report circulated by the Yantai Party Committee and People’s Government at a meeting in Beijing, December 1996, published in the book, Chengnuo zhi zai Yantai (The service promise system in Yantai), p. 65-75.

The vast majority of these were part of the MCC.

An evaluation of the degree of success or failure of the Service Promise System in Yantai is beyond the scope of this paper. An innovation is an innovation, whether it is ultimately successful or not. At a most fundamental level, the goal of studying innovation is to determine how and when innovative efforts are made. The question of success or failure is a separate question. With regards to Yantai’s SPS, it can be noted that although it did not produce a sea-change in how bureaucracy worked and in the quality of public service provision, Chinese scholars I have spoken with believe that it did make some positive impact. However, the data needed to make a rigorous assessment of this question is lacking.

He was also the vice-party secretary of the Central Discipline Commission.

This was noted by Xu Qing in a speech given in September of that year and published in Chengnuo zhi zai Yantai, p. 5.

Chengnuo zhi zai Yantai, p. 5-6.

For a more technical analysis of more fundamental problems with the SPS, see the excellent article by Zhou Zhiren (1997).

Western scholars of China have carried out some initial research into these systems. See Brodsgaard 2002; Burns 1989; Edin 2003; O'Brien 1999.

I must note that this part of the discussion is relatively speculative since I lack detailed information about the process of diffusion in the Yantai case. So my remarks concerning how this may have occurred is meant to be suggestive. I believe my interpretation is plausible, but further research would be needed to confirm its validity.


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Complementary Governments: Policy Management and Business Improvement Districts (BIDs) in Southern California

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University of La Verne

Metropolitan governance continues to be a deeply challenging endeavor in Southern California. By the year 2010, the region expects a population growth rate of over 18% from 1997, and by the year 2025, the population growth rate will be 40% from 1997. This rate of growth is matched by similar growth rates for both employment and housing needs (See Table 1). With this growth, there is the expected rise of demands placed on the 188 city and 5 county governments that have jurisdictional responsibility for public service delivery in the region. As demands for services rise, and with continued citizen attitudes for keeping tax rates low, there is an emerging gap between what services governments can provide and the resources available to provide them.

Table 1 Los Angeles Region Population Growth Forecasts (in millions)

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>2010</th>
<th>2020</th>
<th>2025</th>
<th>% Change 1997 to 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>16.1</td>
<td>19.1</td>
<td>21.3</td>
<td>22.6</td>
<td>40%</td>
</tr>
<tr>
<td>Employment</td>
<td>7.0</td>
<td>8.8</td>
<td>9.6</td>
<td>10.0</td>
<td>43%</td>
</tr>
<tr>
<td>Households</td>
<td>5.2</td>
<td>6.1</td>
<td>6.9</td>
<td>7.4</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: Regional Transportation Plan Update, December 2000, SCAG (p. 6).

To respond to these and other challenges, it is clear that local governments are looking for new approaches to urban governance. In Southern California, as elsewhere, many new forms of participation and collaboration have recently emerged on the metropolitan scene. Examples of these newly emerging forms include administrative networks or conjunction, neighborhood councils, business improvement districts, sub-regional associations and regional councils. Most interesting about these new associations is that their focus of attention does not match the traditional jurisdictional arrangements of local, state and national government and representation. Indeed, these new associations are organized around enhancing neighborhoods, or geographic contiguous areas (sub-regions) or regional or even global interests. These associations seek to aggregate and integrate interests at various levels and for specific reasons, such as transportation needs, or economic needs (See Table 2).

These new forms of interaction reflect an involvement of citizens in governing concerns that are beyond traditional methods of citizen engagement. This fragmented environment is what H. George Frederickson (1999) refers to as “disarticulated.” In short, many of the issues that confront governmental jurisdictions are problems best managed across jurisdictions (pollution, crime, poverty, e.g.). In addition, many of these new forms are associations of citizenry are formed around common interests that press

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1 This paper was prepared for the 2nd Sino-US International Conference for Public Administration in Beijing, P.R. China, from May 24-25, 2004. The conference was held at the Run Run Shaw Conference Center at Renmin University of China (RUC). The conference theme was “The Challenges and the Opportunities for Public Administration in a Rapidly Changing World.”
traditional jurisdictionally based governments for enhanced service delivery. They represent *intermediate structures* designed to meet specific needs at a level that is functional for the participants (Meek 2004).

**Table 2 Metropolitan Governance Networks and Associations in Southern California**

<table>
<thead>
<tr>
<th>Governance Paradigm</th>
<th>Examples</th>
<th>Integrative Assertion</th>
<th>Association Characteristic</th>
<th>Author(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><em>San Gabriel Valley Economic Partnership</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td>Metropolitan Planning Organizations (MPOs)</td>
<td>Transportation</td>
<td>Formal</td>
<td>Wolf (2003)</td>
</tr>
<tr>
<td></td>
<td><em>Southern California Association of Governments</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Region</td>
<td>Sub-Regional Planning</td>
<td>Transportation</td>
<td>Formal</td>
<td>Hubler &amp; Meek (2003)</td>
</tr>
<tr>
<td></td>
<td><em>San Gabriel Valley Council of Governments</em></td>
<td></td>
<td></td>
<td>Wikstrom (1977)</td>
</tr>
<tr>
<td></td>
<td>Administrative Conjunction</td>
<td>Epistemic</td>
<td>Formal and Informal</td>
<td>Meek, Schildt and Witt (2002)</td>
</tr>
<tr>
<td></td>
<td><em>Southern California Regions</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Los Angeles, Long Beach, Pasadena, Burbank, Monrovia</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Neighborhood Councils</td>
<td>Citizen Representation</td>
<td>Formal</td>
<td>Cooper and Musso (1999)</td>
</tr>
<tr>
<td></td>
<td><em>Los Angeles</em></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This new metropolitan landscape is characterized as what Nelson Wikstrom (2002) refers to as a “regional mosaic.” The metropolitan region of Southern California has the characteristics of both regional coordination and local coordination, or what Scott Bollens (1997) refers to as “shadow regionalism” where local government overly influences the regional landscape but there are significant traces of regional coordination. From the perspective of city management, Matthew Holden (1964) argued that the complexity of administration within this environment is similar to the problem of diplomacy in international affairs.

In the myriad of arrangements, there are a number of public administration challenges that arise for local government administration. In some cases, the newly emerging associations seek a direct partnership with city and county officials in order to enhance public service. It is the nature of these partnerships that is of interest in this paper. How are city administrators approaching the management of these new partnerships? Does city management encourage the development of new partnerships, or are they reacting to the development of these initiatives? Are these new partnerships “complementary” to governments and governmental service delivery? In a resource scarce environment, these questions become paramount and are worthy of attention both in terms of current practice and their implications for local governance.

This paper presents an analysis of the current patterns of newly formed relationships between business improvement districts and local administration. The paper begins with a summary of the general foundation of business improvement districts, which is then followed by a framework to analyze local administrative policy development with regard to business improvement districts. Five case studies outlining the relationships that characterize BID/City relationships are provided. Findings are
summarized in terms of looking at these management relationships that vary across the case studies but constitute the practice of what is referred to in this paper as “complementary government.”

**BUSINESS IMPROVEMENT DISTRICTS**

In the Southern California region there is a rather pronounced appearance of Business Improvement Districts (BIDs). The downtown business associations of the past, many originating from Chambers of Commerce, have evolved into specialized units of service delivery. Contemporary BIDs have many unique features. Of interest here is that they have both public and private characteristics. The popularity of BIDs is undeniable: in the state of California ranks there were 73 in 1999 (Houstoun, 2003). In Los Angeles alone, there are 23 BIDs with some 20 additional BIDs requesting City Council approval (LA City 2002).

One feature of the Southern California BIDs is the mixed nature of the functions they perform: business-promotion functions (consumer marketing) and public service functions (security and maintenance). BIDs are able to provide added services to a defined geographic service area where revenue is generated specifically for that purpose and region. The typical BID is funded through an assessment process designed in the originating by-laws that are approved by the business owners and the city council. As a result, focused service and consistent funding contribute to the overall public administration practice within a local jurisdiction. What the BIDs can provide is more effective and efficient than what the city can provide and as such can see a “complementary” to government in service delivery, or what Mark Moore (1995) refers to as “creating public value.” This observation is important because in many negotiated by-laws there are provisions which require that the city must continue its level of service to the business district at the level achieved prior to the initiation of the BID. Clearly, BIDs can be viewed as innovative solutions (Mitchell 2001) that meet two very important needs: focused service delivery and a consistent revenue stream.

**Parameters of the Public Private Partnership**

Business Improvement Districts in California operate as public-private partnerships with a range of autonomy in relation to the public authority. Based on previous research (Meek and Hubler 2004), the central features of the BID/City partnership are as follows:

- BIDs in California are authorized by municipalities or counties through the powers delegated by state law (1994 Act, California Streets and Highways Code Section 36600 et seq.). The state government itself does not authorize BIDs, but does participate in municipally authorized BIDs.  

- The primary role of the authorizing public entity, either a municipality or a county, is to exercise its authority to levy the assessment on behalf of the BID community.

- The primary objectives of BIDs are to increase security, maintenance and marketing of business areas, although BIDs may undertake an essentially unlimited range of improvements and activities as identified in each individual BID plan.

- There are three types of BIDs in California: Merchant-based BIDs, Property-based BIDs and Municipally-created BIDs or Alpha BIDs. These three types vary primarily by whether the

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2 A small number of BIDs are authorized by municipalities under city ordinance rather than through the powers delegated by state law.
3 Merchant-based Business Improvement Districts (1989 Act, California Streets and Highways Code Section 36600 et seq.) may be initiated by City Council, county or business owner request
assessment is levied against the merchant or the property owner, by lifespan of the BID and by petition thresholds for initiation of the BID.

- All BIDs have sunset provisions. New Property-based BIDs (PBIDs) have five-year life spans; after five years, the petition process, ballot process and City Council hearing process must be repeated for the district to be reestablished. Reestablished PBIDs can have 10-year life spans. In Los Angeles, the municipally created BID has a lifespan of 10 years. Merchant-based BIDs that issue bonds have life spans long enough to repay the bonds—typically 30 years.

- BIDs are generally managed by a private nonprofit corporation with oversight from an elected or appointed board of directors and a financial reporting requirement to the authorizing City Council or county. By law, an owners’ association must be a private nonprofit entity, either existing or newly formed, and expressly may not be considered a public entity. However, owners’ associations are required to comply with the state open public meetings and public records acts applicable to local public entities.

- The state law for PBIDs states that governance shall be by the owners’ association, a private nonprofit entity. State law does not specify composition or numbers of board members for the nonprofit entity or how those elections are to be conducted. In some cases, the BID board members are appointed by the City Council, or a board nominating committee selects candidates. The City of Los Angeles BID ordinance references only an advisory board appointed by the City Council.

- State law does require the assessment formula to be fair, balanced, and commensurate with benefits received, and explicitly notes that assessments are not taxes and instead are fees based on benefit received.

The public and private nature of BIDs make them unique in the partnership with public authorities and there are a number of criteria that need to be in place before the BIDs are allowed to operate: (1) property based BIDs are initiated only upon property owner petition signed by property owners who will pay more than 50% of the assessments to be levied; (2) If there is a single property owner who will pay more than 40% of the total assessment, that assessment shall not be counted in determining whether the 50% benchmark is met; (3) Upon receipt of the petition, the City Council may adopt a resolution expressing its intention to form a district; (4) Proposition 218 requires a ballot vote in which more than 50% of the ballots received, weighted by assessment, be in support of the district; and (5) Unless rejected by the protest vote, the City Council may adopt a resolution levying the assessment for a period of five years for new districts, and 10 years for renewed districts. Assessments are levied on property owners and collected by the county, through the property tax bill (Meek and Hubler 2004). If these conditions are met, the partnership can be formed.

POLICY MANAGEMENT STRATEGIES

Having reviewed the legal parameters that govern the public-private partnerships with regard to local government and business districts seeking to provide services with a specified jurisdiction, we can

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4 Property and Business Improvement Districts (1994 Act, California Streets and Highways Code Section 36600 et seq.) are initiated only upon property owner petition signed by property owners who will pay more than 50% of the assessments to be levied. (However, if there is a single property owner who will pay more than 40% of the total assessment, that assessment shall not be counted in determining whether the 50% benchmark is met.)

5 Municipally Created “Alpha” BIDs are created through the authority of municipal ordinance only by charter cities.
now turn our attention to how local governmental administrative strategies toward building public-private partnerships can be interpreted. Drawing upon the work of Michael Harman (1969) and his notion of a policy administration as viewed as a two-dimensional “Policy Formulation Grid” we can usefully examine the administrative style of public-policy formulation in local government administration with regard to how local governmental officials view partnerships with business improvement districts.

For Harmon, there are two dimensions from which to interpret governmental orientation toward policy development: policy responsiveness and policy advocacy. These dimensions range from low to high. That is, governments vary on each of the dimensions as they approach policy development. In Figure 3 (See page 24), the vertical axis represents policy responsiveness, while the horizontal axis indicates the extent of administrative willingness to advocate policy change. According to Harmon, policy responsiveness is when government is accountable in some way to the democratic process by which public demands are, or might be, translated into policy. On the second dimension, policy advocacy refers to the degree of active support for a policy held by administrators for the adoption of policies. From these two dimensions, Harmon identifies five styles of administration: survival, rationalist, prescriptive, proactive, reactive. These dimensions are summarized below:

1. **Survival style** (1,1): To assure survival of their agencies, public administrators limit access of political authorities and interest groups in order to promote the efficient continuation of existing programs (Harmon p. 486). This style of policy administration is both low on policy advocacy and policy responsiveness.

2. **Rationalist style** (1,9): In this approach, administrators view public demands as legitimately expressed through elected representatives and thus avoid direct involvement in the determination of agency policies and programs (Harmon p. 486). Administrators view themselves as agents of political authorities and elected representatives express preferences through voting that determine the legitimate values relevant to policy formulation. This style of policy administration is low on policy advocacy and high on policy responsiveness.

3. **Prescriptive style** (9,1): In this administrative style there is the presumption of professional expertise of administrators who are knowledgeable about the problems confronting their agencies and, therefore, should be the key formulators of programs and policies. (Harmon p. 486). This style of policy administration is high on policy advocacy and low on policy responsiveness.

4. **Proactive style** (9,9): Proactive administrators participate in policy formulation both by acting as advocates of new policy and by facilitating access of interest groups to the political and administrative systems in order to maximize their opportunities to influence public policy (Harmon p. 486). This style of policy administration is both high on policy advocacy and high on policy responsiveness.

5. **Reactive style** (5, 5): Because of the inseparability of policy formulation and implementation, public administrators are inevitably involved in the formulation of agency programs and policy. (Harmon pp. 486). This style of policy administration is both average on policy advocacy and on policy responsiveness.

What follows in this paper is a report on five business improvement districts in Southern California, each created to meet unique needs of the business community and representing distinct sizes, origins and relationships to the authorizing municipality.

**SOUTHERN CALIFORNIA CASE STUDIES**

For the research presented here, the authors hoped to select from a variety of BIDs, large and
small, urban and suburban, from different cities in order to retain the possibility of identifying differences in the approach that cities in Southern California demonstrated in working with BIDs. Our selection process began with the City of Los Angeles, and a listing of BIDs in the city and interviews with leaders of the Department of Community Redevelopment. In our interviews we decided to examine one of the original BIDs in Los Angeles, the Fashion District. From interviews at the Fashion District, we relied on references for contacts in other major cities in the region, and explored contacts with those BID leaders and their city counterparts (Meek and Hubler, 2004). Our approach led to the selection of five very different BIDs located in a geographic spread within the region (see Table 4). Three research questions were addressed within a larger set of interview questions designed to examine the relationship between BIDs and city government. The three research questions were:

- How are BIDs governed?
- How are BIDs held accountable?
- How does the city view the partnership (responsiveness and advocacy)?

**Los Angeles and the Fashion District**

The Los Angeles Fashion District Business Improvement District was established in 1994 and was initiated in an effort to revitalize the area formerly known as the Garment District. The BID was subsequently authorized on January 1, 1995 as a property-based BID following the enactment of enabling state legislation.

*How is the BID governed?* The BID is governed by a 12-member Board of Directors and managed by a private nonprofit organization with seven staff members and another 60 contract employees. The BID's primary focus is providing clean and safe services. Other services provided include job training and marketing activities. There are no governmental representatives on the board.

*How is the BID held accountable?* The Fashion District BID provides regular reports of revenues and expenditures to the Los Angeles City Council. The BID evaluates its own performance by tracking crime and trash counts through the clean and safe program, by pedestrian counts, by increases in property valuation and by decreases in vacancy rates.

*How does the city view the partnership (responsiveness and advocacy)?* A 15-member Board of Directors governs the BID. All are private property owners. The BID provides regular reports of revenues and expenditures to the City Council. This Fashion District BID has worked with the City of Los Angeles Department of Transportation to ensure the public transportation shuttles are routed through the Fashion District. Public agencies that own property within the BID and that are assessed include the city of Los Angeles, Caltrans, the Department of Water and Power, and LAUSD. The city of Los Angeles provides consulting services for assisting the development of BIDs, and reviews annual reports of the BID. In addition, as the BID comes up for review every five years, the city reviews the proposal.

The city of Los Angeles encourages the building of business partnerships within the city and has established information and provided consultants to service business demands in this area. Beyond the assistance and oversight responsibility through annual reports and liaison relationships and contributing assessed fees, the City of Los Angeles has had an “arms length” relationship with the BID.

**Downtown Long Beach and Pine Avenue**

The Downtown Long Beach BID was first established as a merchant-based BID in 1973. Following an 18-month organizational effort, the property-based BID (PBID) was established in 1999 for a period of five years in an effort to revitalize the downtown area.

*How is the BID governed?* A 12-member Board, comprised of five property owners, five merchants, one representative of the city of Long Beach, and one representative of the Long Beach
Redevelopment Agency, governs the Downtown Long Beach Associates, which manages both the PBID as well as the merchant-based BID. BID Board members are elected by the membership, with votes weighted by assessment and with the city, which owns some 24% of the property assessed, agreeing to abstain from voting.

**How is the BID held accountable?** The BID produces an annual management plan as well as monthly and annual financial reports that are submitted for approval by the Long Beach City Council. The BID surveys customer satisfaction, counts visitors, and, for economic development measures, quantifies the number of businesses retained, and the square footage of new leases generated. The BID also measures the volume of trash picked up and the square footage of sidewalks cleaned by the Clean Teams.

**How does the city view the partnership (responsiveness and advocacy)?** The BID has largely cooperative relations with the city which is one of the largest stakeholders in the downtown area, although the BID also views itself as in competition with the city to provide a higher level of services and selected economic development activities and would like to assume responsibility from the city for parking revenue generation in the downtown area.

While business owners “drove the agenda” and paid for the consultants to prepare a PBID feasibility report, the city was a key partner in the PBID, and the city and redevelopment agency are the largest stakeholders with some 24% of the assessed property. Assessments constitute 90% of income with the city passing through the remaining 10% in the form of parking meter revenues. The city has also awarded the PBID a grant of $30,000 a year to fund the position of an economic development specialist. The Long Beach BIDs are very autonomous, the city has a “hands off” approach toward BID formation and does not micro-manage the BIDs. New business partnerships must pay for the services of the consultant and the city will not use general fund revenues for that purpose. BID leadership must come from the business leaders and organizations.

**Pasadena and Old Town**

The Old Pasadena Business Improvement District, a property-based BID, was established in 2000, replacing a merchant-based BID that was started in 1989. The PBID has annual revenues of approximately $1.1 million, with the city of Pasadena providing approximately 50% of the annual budget. The city, which owns two parks and several parking structure within the boundaries of the BID, pays a flat assessment of $545,000.

The PBID is managed by a private nonprofit organization, the Old Pasadena Management District, with three full-time members on staff, one part-time temporary employee and one outside contract events organizer.

**How is the BID governed?** A 23-member Board, comprised of 16 property owners, retailers or merchants; three representatives of the City of Pasadena, including a Pasadena Police Department lieutenant and one representative of the Castle Green residential complex, governs the PBID. A governance committee and only the current Board members vote in new members of the Board, rather than the general membership, and also recommend the slate of candidates for the Board. Thus, the Board membership has remained very stable with little change in membership from year to year.

**How is the BID held accountable?** The BID provides annual financial reports to the city, which are audited by the city Finance Director. The BID also produces an annual management plan that is submitted to the City Council for approval. In addition, the city tracks sales tax revenues generated by businesses within the BIDs.

BIDs are viewed by the city as free to adopt the efficiencies of a private sector firm. For instance, the BID is not required to award contracts to the lowest responsible bidder as a city is required to do. Instead, the BID can award the contract to the bidder that will provide the best service for security and maintenance.

**How does the city view the partnership (responsiveness and advocacy)?**
The city was a key partner in the PBID formation, and is one of the largest stakeholders, providing approximately 50% of the PBID annual budget. A city Redevelopment Agency staff member is assigned as a liaison to the downtown area. The city is trying to fund the consulting fees for the South Lake BID to convert to a PBID. The city pays assessments to the South Lake and Playhouse District BID but not to the Old Pasadena BID which receives an in-lieu fee instead. While there were no direct incentives, the city has agreed to pay an assessment in excess of what other property owners pay.

As noted above, the city, which owns two parks and several parking structure within the boundaries of the BID, pays a flat assessment of $545,000. In addition, the City Council agreed to a recent proposal to transfer the management of the parking structures in the downtown area from the city to the PBID Public agencies that own property within the BID and that are assessed include the City and Redevelopment Agency of Pasadena.

The BID represents the interests of its merchants and property owners “extensively” at City Hall. The BID provides annual reports to the City Council and has minimal contact with regional or state agencies. The city Finance Director audits the financial statements of the BIDs. In addition, the city has voting representatives on all three BID boards and the city staff assigned plays an advisory role when attending the regular monthly meetings of the BIDs. However, the BIDs need to and do operate within a private capacity with the city playing an advisory rather than strictly oversight role. Each BID sets its own goals and city staff tracks whether the goals are accomplished. In addition, the city tracks sales tax revenues generated by businesses within the BIDs. The city plays the primary role in retaining and attracting businesses in the BID areas because the BID leaderships have consciously avoided being seen as working to benefit a single property owner rather than the district as a whole.

Burbank and the Media City Center Mall

The Downtown Burbank BID was established on July 22, 2003, following an 18-month organizational process. The city and business community have worked jointly to revitalize the downtown area for the past decade. The impetus for the creation of the PBID came from city officials, although the proposal had the support of the key downtown business leaders. The city hired a consultant to devise a property based management district plan. The City Council brought in a Downtown Manager from the Park and Recreation Department to organize and operate the PBID. A majority of the Downtown Manager’s time is expected to be devoted to the operation of the PBID.

How is the BID Governed? A nine-member Board of Directors appointed by the City Council governs the BID. The PBID Board has not yet been established. The Burbank City Council is accepting applications and will appoint the official Board members. Two of the board members will represent the City and the Burbank Redevelopment Agency respectively. In addition to a paid management consultant, an employee will remain the primary designee of the city of Burbank to work on PBID management and events.

How is the BID held accountable? The PBID is organized as a nonprofit corporation and is managed by a full-time Burbank Redevelopment Agency employee with the assistance of the consultant who helped establish the BID. The PBID will provide annual financial reports to the City Council. The Board has established performance benchmarks and the performance goal of the Downtown Manager is to accomplish those services, signage and events noted in the budget in the Management Plan.

How does the city view the partnership (responsiveness and advocacy)? The City Council has reserved the right to amend or modify the composition of the Board of Directors without amending the Management District Plan. According to city staff, the PBID will be more responsive to downtown merchants and property owners as they request services because the PBID has more leeway in accomplishing goals and fewer “bureaucratic hoops” to negotiate than would city staff. In addition, the PBID will offer property owners and merchants a greater feeling of ownership or sense of being stakeholders in the downtown area.
Monrovia and Myrtle Avenue

This merchant-based BID was established in 1965, most likely as a merchants association, at a time when Monrovia was a city in decline, with rising crime rate and a declining local economy. The BID was created among businesses on and along Myrtle Avenue in downtown Monrovia with the intent of revitalizing the city’s downtown.

How is the BID Governed? The Monrovia Old Town Advisory Board governs the BID, which is an official city commission whose five members are appointed by the Mayor. Members serve staggered two-year terms and are charged with developing a budget. City staff operates the BID, with the former assistant city manager serving as executive director assisted by the city’s downtown manager. The management of a weekly downtown street festival, which is not sponsored by the BID but which plays a role in attracting shoppers to the area, is contracted out to a private contractor. Most of the BID budget is spent on promotions and marketing for the downtown area.

How is the BID held accountable? The BID provides an annual report of revenues and expenditures to the City Council, which approves its budget. The BID does not conduct evaluations of its performance. City staff believes the efforts of the BID, as well as those of the Redevelopment Agency, has been instrumental in revitalizing and increasing property values in the downtown area. Essentially, the BID is indistinguishable from the city since it is organized and operated by city staff.

How does the city view the partnership (responsiveness and advocacy)? It appears that the impetus for the creation of the BID came from merchants with the added support of the city following the creation of a redevelopment area that included the downtown area. The redevelopment agency coordinated with the BID in assisting downtown business owners with façade renovations to help beautify the downtown area.

According to city staff, BID has primarily been a creature of the city. City staff believes the BID, along with the efforts of the Redevelopment Agency, has been instrumental in revitalizing and increasing property values in the downtown area. City staff believes the assessments have been too small to drive out businesses. The downtown area has had success in attracting new businesses, especially restaurants. City officials are holding off on transitioning to a property-based BID because they first may seek voter approval of library and school district property bond assessments.

Summary

Table 4 provides a summary of the findings related to the three research questions explored in the case studies. Two central findings from the case studies are useful to highlight. First, in each case, the cities are very responsive to the development of the partnership. This means, in reference to the Harmon “policy grid” that cities are dedicated to the democratic processes the have led to the formation and implementation of business improvement districts in their city. In each case, voting procedures were carefully followed and various forms of mutual agreement were reached including, in some cases, agreements to have city staff on the governing boards. In all cases there is significant oversight and monitoring of BID activities both through annual reports and in some cases monthly financial reports.

Second, in terms of policy advocacy, while there is an indication of a rather deep commitment to the process related to building partnerships, cities reported a variety of policy advocacy in building partnerships with business improvement districts. In interviews with city staff, it was clear that the attitudes toward advocating the development of partnerships ranged from avoiding initiating efforts of partnership development to promoting and leading efforts of partnership development. It is beyond the scope of this study to assess the reasons for the variation, but there are some possible explanations. One might consider the size and scope of city operations as one rational for variation. Larger cities simply have too many service delivery alternatives and activities to monitor to focus heavily in one area of development. Smaller cities may have an interdependent relationship with the downtown associations and may build a more direct in advocating partnership development. Another possible explanation for variation may be the attitudes of city administration. It is feasible that professionals view the variation of
partnership development differently, that is some may feel development is the obligation of elected officials, whereas others may see partnership development as a way to facilitate private interests by associating with public interests.

Table 3 BID Policy Management Strategies

<table>
<thead>
<tr>
<th>City/BID</th>
<th>PBID Yr. Formed/Affirmed</th>
<th>Owners/Parcels</th>
<th>BID Size (assessment)</th>
<th>Governance</th>
<th>Accountability</th>
<th>City Responsiveness and Advocacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles—Fashion District</td>
<td>(1994)/1995/1998/2003</td>
<td>580 Owners, 1,118 Parcels (90 blocks)</td>
<td>$2.9 million</td>
<td>15 member board with no city reps.</td>
<td>BID Provides Regular Reports, BID Evaluates Own Goals</td>
<td>High Responsive, Average Advocacy</td>
</tr>
<tr>
<td>Pasadena—Old Town</td>
<td>(1989)/2000</td>
<td>160 Owners, 228 Parcels (21 blocks)</td>
<td>$1.1 million (50% from assessed city property)</td>
<td>23 member board with three city reps.</td>
<td>Annual Plan, Annual reports, City liaison coordination</td>
<td>High Responsive, High Advocacy</td>
</tr>
<tr>
<td>Burbank—Media City Center Mall</td>
<td>(1994)/2003</td>
<td>133 Owners, 289 Parcels (30 blocks)</td>
<td>$750K</td>
<td>9 member board appointed by City Council with two city reps.</td>
<td>Annual Financial Reports, City employee acts as BID executive director, Performance Benchmarks Established</td>
<td>High Responsive, Very High Advocacy</td>
</tr>
<tr>
<td>Monrovia—Myrtle Avenue</td>
<td>(1965)</td>
<td>210 Business License Holders</td>
<td>$40K (assessment), $20K (pass through)</td>
<td>5 member advisory board appointed by City Council</td>
<td>City employee acts as BID executive director, City Approved Budget, Annual Reports</td>
<td>High Responsive, Very High Advocacy</td>
</tr>
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Complementary Governments

The central finding of this study is that all parties view BIDs as complementary to local governments: they have mutual respect for the operation of each (Pack 1992). In addition, attitudes of both city and BID leadership indicate that BIDs provide added value to the community, a finding that is consistent with other studies (Mallett, 1994). Finally, because BID formation requirements establish a clear distinction between what services are to be provided by government and what services are provided by business improvement districts, the blurring of service lines is avoided.

As a complementary government, there is an issue of accountability of BIDs (Lavery, 1995). The research presented here indicates that in the cities examined, BIDs are monitored by city staff on a consistent basis, that annual reports are provided to city officials, and in some cases, city staff or city officials sit on BID boards in advisory and reporting capacities. While there is the concern that public authorities no longer play a critical role in the facilitation of public service, the findings presented here indicate that cities play a defining and critical role in the partnership.

Figure 1. Michael Harmon’s (1969) Policy Formulation Grid

<table>
<thead>
<tr>
<th>1,9 Style</th>
<th>9,9 Style</th>
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<tr>
<td>Rationalist: Public administrators, as agents of political authority, attend public demands as legitimately expressed through elected representatives, thus avoiding direct involvement in the determination of agency policies and programs</td>
<td>Proactive: Public administrator participate in formulating policy both by acting as advocates of new policy and by facilitating access of interest groups to the political and administrative systems in order to maximize their opportunities to influence governmental policy.</td>
</tr>
</tbody>
</table>

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<tr>
<th>5,5 Style</th>
<th>1,1 Style</th>
<th>9,1 Style</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reactive: Because of the inseparability of policy formulation and implementation, public administrators are inevitably involved in the formulation of agency programs and policy. Their advocative and responsive behavior varies depending on the context within which policy questions are offered for resolution.</td>
<td>Survival: To assure survival of their agencies, public administrators limit access of political authorities and interest groups in order to promote the efficient continuation of existing programs.</td>
<td>Prescriptive: Public administrators, by virtue of their expertise, are closest to and most knowledgeable of the problems confronting their agencies, and are therefore the key formulators of their agencies’ programs and policies.</td>
</tr>
</tbody>
</table>

High Policy Advocacy

Low Policy Advocacy
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Agenda Setting and the Zhigang Sun Case  
Testing Kingdon’s Agenda Setting Theory in the  
Context of China

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In March 2003, a graphic designer, a new college graduate, Zhigang Sun died in a clinic of police detention center in Guangzhou. He was taken into custody three days earlier because he lacked a temporary resident permit when he was stopped by police on the street. After the release of news of his death by a local newspaper, the Southern Metropolitan Daily, the case substantially attracted public attention nationwide.

The public urged government to find the truth behind his death and arrest criminals involved in the case. Some legal scholars wrote to the National People’s Congress, the highest legislative body in China, calling for a review of the constitutionality of the two-decade old “Measures of Internment and Repatriation of Urban Vagrants and Beggars”, the legal base for taking Sun into custody. Unprecedentedly, the State Council abolished the “Measure” in June 2003. Criminals and responsible police officers involved were also arrested and sentenced soon (People’s Daily Online, 2003, June, 27).

Since the beginning, domestic and foreign newspapers like the China Daily and N.Y. Times had paid much attention to the whole progress of the case and supplied a series of reports and in-depth analyses. Some Internet news portals like Sina.com and Sohu.com, the two online media tycoons in China, even opened special columns and discussion boards to publish comments from various sources and solicit discussion from netizens. At the end of 2003, the news on the case of Zhigang Sun (the Sun case) was voted as part of the Top 10 Chinese news in 2003, which manifested its significance in public discourse (Chinadaily, 2004, Jan. 06).

So far the analyses of the case, primarily offered by journalists, legal scholars, and economists, focus on such issues as the constitutionality of the “Measures”, the malpractice of police in implementing the policy, the normative principle of rule by law in China and the constraints of the domicile registration system (Hukou) in free market economy (Niu, 2003; Luo, 2003; Zhong, 2003). Different from these angles, this study attempts to examine the case through another lens -- public policy making, trying to ask different questions that follow.

Why is it the death of Zhigang Sun rather than other cases that finally terminated the controversial statute at the time?

What kinds of factors and players, through what mechanism, were involved in making the central government raise the issue onto its decision agenda and address it promptly?

After reviewing the literature on agenda setting, this study is trying to employ Kingdon’s theory to answer questions above. By so doing, a test for the applicability of the theory to analyzing Chinese public policy issues is offered, which would facilitate our understanding of current social and political change in China.

AGENDA SETTING AND AGENDA SETTING THEORIES

Generally speaking, agenda setting is the process by which problems and alternative solutions gain or lose public and government attention (Birkland, 2001). While agenda setting is the beginning of the policy process and heavily influences subsequent stages of policy process (Anderson, 1984; Birkland, 1997), compared with the studies on other stages of the policy process, agenda setting is the least understood aspect of the policy making process (Wirth, 1985).
So far four levels of agendas, Universal agenda, Systematic agenda, Institutional agenda and Decision agenda, are identified in the literature (see figure 1).

Figure 1. Levels of agendas (Anderson, 1984)

Agenda setting theories try to dig out the reasons why and how private problems are escalated to be public problems, further to be issues and subsequently be raised on different levels of agendas (Anderson, 1984). So far, four theoretical approaches to understand agenda setting have been developed. One approach focuses on the characteristics of power and emphasizes the role it plays in agenda setting (Schattschneider, 1960, Bachrach and Baratz, 1962). The second emphasizes the nature of problems, the strategies used to define problems and expand issues to certain focus groups or the public. What characteristics of problems determine the possibility of being raised on respective levels of agenda, and how are problems socially constructed and defined through certain strategies are questions students of public policy in this approach are concerned with (Downs, 1972; Cobb and Elder, 1983; Stone, 1989). The third approach concentrates on the on-purpose use of language and symbols as a way of getting an issue onto the public agenda or, alternatively, keeping it off (Edelman, 1964, 1971, 1988). The fourth centers on the identity and characteristics of political actors, which examines the actors’ attitudes or belief systems, resources, and opportunities to explain the appearance of policy problems and their particular formulations at any given time (Kingdon, 1984; Sabtter, 1987).

Through comparing four approaches, it is obvious that the first three are rather normative and philosophical. They are concerned with the nature of problems, how problems are defined (or socially constructed) as issues amenable to human action and to be put on the public agenda. Their primary focuses are to find underlying rationales of why problems (the natures of the problems, the manipulated definitions of problems) can attract people’s attention and be raised on different levels of agenda. In contrast to the first three, the fourth approach is trying to answer ‘how’ questions. How different actors get involved in the process of agenda setting and through what mechanisms they interact with each other and finally raise issues onto public agenda are its concerns.
It is worth noting that the distinction between each approach is rather rough. Actually, different approaches or perspectives are mentioned and employed by aforementioned authors within each approach. For example, in their works, Cobb et al. and Kingdon all talk about the role of language and the socially constructed nature of issues in the policy process.

As a masterpiece of agenda setting theories, adapting the new development of organization theory at the time, Cohn, Marh, and Olsen’s “Garbage Can” model, Kingdon’s agenda setting theory is developed from a large scale qualitative research project in the period of 1976-1979, which consists of 247 lengthy and detailed interviews with congressional staff, executive branch political appointees, upper level civil servants and presidential staff, and 23 case studies in the health and transportation policy fields. Focusing on the institutional and decision agenda, the theory tries to answer questions including the following: How does an idea’s time come when it does? How do problems come to officials’ attention? How is the government agenda set? And how are the alternatives generated and chosen by government officials?

Before Kingdon’s research, few researchers had successfully answered these questions in an empirically and theoretically rigorous way. Kingdon’s research turned people in the policy community to look at the long ignored subject of agenda setting as a pre-decision stage of policy process, and realize the important influence of how agenda is set in the whole process of public policy making. The intellectual fruit of his research, *Agendas, Alternatives and Public Policies*, has become a must-read for every student of public policy.

**KINGDON’S AGENDA SETTING THEORY**

In 1972, Cohen et al. developed their “Garbage Can Model”, which is a theoretical abstraction of the decision making process in a type of organization, called “Organized Anarchy”, with three inherent properties as “Problematic Preference”, “Unclear Technology” and “Fluid Participation”. Kingdon (1995) finds the similarity between the organized anarchy and the American federal government and argues that though the federal government is not the exact kind of “Organized Anarchy” the “Garbage Can Model” describes, the general logic underlying the organization is the same: “Separate streams run through the organization, each with a life of its own. These streams are coupled at critical junctures, and that coupling produces the greatest agenda change.” (P.87). He called his theory as revised garbage can model. “We will bind the ideas (Garbage Can Model) to suit our purposes and add features of our own where it seems appropriate” (P.86)

The revised garbage can model can be summarized as three independent streams - Problem Stream, Policy Stream and Political Stream; one window - Policy window; one mechanism - Coupling, and one type of player - Public Entrepreneurs, which is illustrated in Figure 2.

The problem stream refers to the perception of problems as public problems requiring government action and government efforts to address them. People come to see a condition as a “problem” with reference to their conception of some desired state of affairs. As Stone stated, everyday we are in various difficulties, and until people come to see difficulties as amenable to human action, difficulties still remain in the realm of nature, accident and fate- a realm where we have no way to out. (Stone, 1989) However, not all problems draw much attention from the public and government as to be placed in institutional agenda. Even problems perceived by the public and government officials and put onto the institutional agenda don’t necessarily gain a status in the decision agenda and get resolved by the government promptly.

Independent from the problem stream, there are loosely organized policy communities where specialists inside and outside of government design and draft policy alternatives. The generation of policy alternatives is a selection process. Kingdon analogized it to be a “biological natural selection”. At the beginning, many ideas, insights, proposals “…float around, bumping into one another, encountering new ideas, and forming combinations and recombination.” (P.200). It is very hard to say where a specific idea
comes from. These policy proposals or alternatives are independent from some specific problems they could address, which means before some special events happen, they are well prepared.

Once again, a well-prepared problem stream and policy stream are still not enough for raising issues onto a decision agenda and calling for prompt government action. The third stream needs to be involved, the politics stream. Political events in the politics stream like public mood, pressure group campaigns, election results, partisan or ideological distributions in Congress, and changes of administration, have their logic and dynamics, definitely independent from the aforementioned two streams.

Changes in political streams have a powerful effect on agenda setting. Public mood and the transitions of administration have a strong influence on institutional agenda. Different administrations with different ideologies at a given period have different priorities in their institutional agenda. Just like in the 1960s, Democratic president, Lyndon Johnson, in the time of financial prosperity, initiated a variety of social engineering programs in the name of war on poverty. At that time, the early preschool education for underprivileged children captured the attention of the public and government officials. Without changes in public mood and administration, the most successful education program ever in the history of America, the Head Start Program, would not have been started. (Zigler and Muenchow, 1992; Fischer, 1995)

A necessary condition for a problem to be put onto decision agenda is the convergence of three streams. As Kingdon argues, “The separate streams of problems, policies, and politics come together at certain critical times. Solutions become joined to problems, and both of them are joined to favorable political forces”. (P.20) This mechanism is called “Coupling”. However, coupling is by no means a random process. It is the opening of an opportunity window that provides opportunities for the coupling of three streams. Kingdon suggests that there exist two major types: the “problem window” and the “political window”. “Basically a window opens because of change in the political stream (e.g. a change of administration, a shift in the partisan or ideological distribution of seats…. or a shift in national mood); or it opens because a new problem captures the attention of governmental officials and those close to them” (p.168).

Public entrepreneurs play a very important role in the process of coupling. “They are people willing to invest their resources in return for future policies they favor.” (P.204) Their motivation might be “their straightforward concern about certain problems, their pursuit of such self-serving benefits as protecting or expanding their bureaucracy’s budget or claiming credit for accomplishment, their promotion of their policy values.” (P.204)
These entrepreneurs actively participate in problem and policy streams. In the problem stream, they actively interact with the public and the government offices so as to push problems to be transformed as issues and further raised to the government agenda. In the policy stream, they develop and promote their ideas and policy proposals through various ways like writing papers, giving testimonies, holding hearings, trying to get media coverage etc.

These entrepreneurs in problem and policy streams always wait for opportunities, the opening of policy windows, to couple their preferred solutions to problems, problems to political forces, and political forces to proposals. “The joining of the separate streams…….depends on the appearance of the right entrepreneur at the right time.” (P205.) To successfully promote their favorite solutions or policy proposals, all solutions and proposals should be prepared well before an opportunity window opens. Once a window opens, they can successfully couple those streams so as to raise an issue onto the decision agenda.

Although Stone classified it as a political actor model (Stone, 1989), the reason why Kingdon’s agenda setting theory is regarded as one of the most provocative and a popular explanation of agenda formation (Sabatier, 1999) is that the power of his theory rests on the nature of public organization and its decision making process. “Policymakers frequently face dynamic and shifting environments where ambiguity is rampant and where decision outcomes appear to be beyond anyone’s control. Complexity, fluidity, and fuzziness are particular appropriate characterizations of policy making at the national level.” (Zahariadis, 1999, P. 87).

Logically, subsequent theoretical development of the agenda setting theory should go beyond the locus of Kingdon’s research, health and transportation policy at the federal level of the U.S., to test its applicability in different policy areas at different government levels and in different countries with distinct political systems. Recently, McLendon (2003) researched agenda setting in education policy at the state level, the results of which supports Kingdon’s theory.

Some critics, like Mucciaroni, wonder if Kingdon’s garbage can model can be implemented internationally because it is based on the politics of a plural, liberal democratic country, the U.S.A., which is characterized by institutional fragmentation, plural and fluid participation, and temporary collation (Mucciaroni, 1992; Howlett and Ramesh, 2003). While Kamieniecki (2000) has utilized the theory to analyze forest policy change in British Columbia, Canada. (2000) and Zahariadis (1995) has successfully extended the theory to explore the politics of privatization in Britain and France in three sectors: oil, telecommunications and railroads, those arguments of critics still cannot be overthrown. Canada, Britain and France are still in the category of liberal democracy, though with different traditions and different manifestations. There is no doubt that the applicability of Kingdon’s theory will be significantly improved through testing it in a much more centralized and integrated polity, like China. So far, no research has been conducted in this regard.

A preliminary attempt to employ Kingdon’s agenda setting theory to anatomize the Sun case is rendered in the following section, which will not only supply answers to the two intriguing questions mentioned in the introduction but also provide an applicability test for Kingdon’s theory in the context of China.

ANALYZING THE SUN CASE

Problem stream

“Measures of Internment and Repatriation of Urban Vagrants and Beggars”, the legal base for taking Sun into custody, was promulgated by the State Council in 1982. The purpose of the “Measures” is to aid, educate and allocate urban vagrants and beggars in order to maintain social order and stability in cities. In 1991, the State Council amended the measure by promulgating “Opinions on the Problems of the Reform for Detention and Repatriation” that enlarged the pool of people who are qualified to be
detained and repatriated. People without identification cards, temporary residence cards and working cards would be detained and repatriated (so called “Sanwu” people).

To fully understand the reason why the State Council enacted such rules, an understanding of the unique domicile registration (Hukou) system of China and the social economic segregation of urban cities and rural villages is required.

Before 1979, Chinese society was segregated as urban cities and rural villages by two social management systems, the people’s commune system in rural areas and the Hukou system in urban cities. In rural areas, since all lands and instruments of productions belonged to the state, all farmers were organized by the people’s commune system. In such a system, the earnings of farmers depended on their daily participation in collective farming. This system significantly tied farmers to the place where they were born, for they could not make living when they left their lands. Although later the people’s commune system was transformed to a collective production-team system, the nature of the system was still extant. In urban cities, through the Hukou system, the government allocated housings, jobs, rationed food and other necessities, which made it almost impossible for people without local “Hukou” to live in urban areas.

At the time, China was implementing a central planned economy. Simulating the mode of economic development of the former Soviet Union, the Chinese government focused on capital intensive industries. To obtain enough cheap agricultural products to support industrial production, the government needed to tie its farmers to the land. (Lin, Cai and Li, 1994). Based on the ideology of a planned economy, the Chinese government took the responsibility to produce, allocate and sell raw materials and final products among industries and urban cities. To facilitate the operation of this kind of production system, the Chinese government needed a system which could be used to easily collect information required, especially demographic data. As a result, the segregation of the urban and rural areas emerged. This segregation significantly hindered the process of urbanization of rural areas. The development of cities was at the expense of rural farmers (Zhong, 2003).

Since 1979, promoted by the second generation leader, Deng Xiaopin, China started to adopt reform and open policy. In rural areas, the Household Responsibility System (HRS) finally replaced the former collective production-team system. The HRS significantly improved the total agricultural output growth by almost 43% during 1978-1984, increasing the agriculture products in the urban free market and eventually putting an end to the food rationing system in cities. The HRS did not need the same amount of labor as before, which led to surplus labor in rural areas (Zhao, 1999).

In the urban areas, the creation and development of the special economic zones, the expansion of the non-state sector and the loosening of the urban employment policy created the demand for migrants who could supply cheap labor (Cai 2001). Under the open policy, the Chinese economy began to focus on labor-intensive industries where it has comparative advantage in the international market. This shift of the development strategy also significantly increased the demand for migrants.

Soon, a tremendous number of farmers from rural areas rushed into urban cities to find jobs. In 1989, a term “rural migrant wave” was coined to describe the enormous number of rural migrant travelers during the Chinese New Year period. The problems caused by rural migrants caught the attention of the public. The Chinese government was facing a dilemma on such large scale internal migration. On one hand, the booming economy needed a large number of cheap laborers; on the other hand, the rural migrant wave came to challenge the existing city management system and the governance of Chinese governments at different levels, especially in the time of economic downturn.

After 1995, local government began to tighten the control of internal migrants from the rural to urban areas. Urban residents, especially those in the most economically prosperous metropolitan areas like Beijing, Shanghai and Guangzhou, were also hostile to the rural migrants, and did not want to share the higher living standards with rural people. In local public media, they were described as the source of “overcrowding, chaos, crime, violence, high fertility, and illicit sex” (Davin, 2000). In the public discourse, the term “Blind flow” reflects the kind of complicated feelings held by the government and urban residents.
“The Measures” and affiliated regulations reflect government’s concerns in this regard. Excessive emphasis on maintaining social order and ambiguous wording of these regulations led to an excessive number of people becoming targets of the detention and reparation system. Farmers seeking work in cities usually became potential victims (Hua, 2003). Also, overemphasizing its function in maintaining social order and security made the police the primary force in enforcing the regulation. Gradually, the detention of “Sanwu” people evolved into a mandatory punitive measure.

It is even worse that under the old regulations, most detention centers were only partly financed from state funds, which made detention centers charge those detained. These distorted the initial purposes of the detention system, leading to a rather comprehensive abuse of rural migrants who were looking for jobs in cities. It was estimated that less than 15 per cent of those in detention centers were those who genuinely needed to be provided with a shelter. Most were coercively locked up there (Xing, 2003).

Although the public had realized the problems of detention and repatriation system for a long time, for example, just two years before the death of Zhigang Sun, 32 people representatives (counterparts of congressmen in the U.S.) initiated proposals asking for reviewing and rectifying the “Measures” (Chinese People Congress News, 2001). The issue was never put onto the decision agenda. According to Kingdon’s theory, to raise certain issues on the platform of government decision agenda, a problem stream itself is not enough. Instead, problems identified need to be coupled by other streams.

Policy Stream

In China, the policy stream consists of intellectual elites primarily including scholars in universities and research institutions, and policy analysts inside and outside governmental systems. Right in the beginning of the adoption of open policy, a generation of young scholars was committed to looking for the path of economic and societal development suitable to China. Some of them decided to focus on specific subfields of law in order to substantially promote the rule of law in China. (Lan, 2004). In the 1990s, according to Ding’s classification, Chinese intellectuals could be primarily grouped into two camps: the liberals and the new-leftists. (2004). Liberals call for political reform to adopt a multiparty political system and liberal constitutional democracy, whereas new leftists believe existing social economic problems have to be solved in the extant administrative system. Both of them have their own perspectives to examine the current reality of China, and based on that, a whole set of solutions to various political, social and economic issues are prepared. (For details, see the work of two leading scholars in respective camps, Hui Qin, in the liberal, Xin He, in the new left). They publish academic papers and columns in newspapers, hold seminars, and submit policy suggestions to the governmental decision makers, looking for every opportunity to promote their ideas. Just as Kingdon’s analysis, once they find an opportunity, they will attach their solutions to the problems so as to expand the influence of their ideologies. As an example, Cao Siyuan, one of the most famous scholars on constitutional law in China, has contributed all his time to push forward the progress of constitutionality. In the early 1980s, he successfully lobbied the standing committee of People’s Congress to pass the law of bankruptcy, which was his first step in promoting his ideals. Now he is continuing to look for chances to construct a mature constitution for China (Lan, 2004).

Political stream and political window

In the political stream, in the new millennium, following Xiaoping Deng’s “letting some people rich first” economic policy, after a 20 year stunning economic growth, Chinese people began to examine impacts and consequences of economic reform. A survey on challenges confronting China in the 21st Century conducted by the Chinese Academy of Social Sciences revealed that according to Chinese people, social problems in six areas would deteriorate in the first decade of the 21st century: unemployment (60 percent), inter-social strata relations (64 percent), corruption (62 percent), ecological system and resources (56 percent), population (54 percent), and reform of the political and social systems (52 percent). It reflects the change of the national mood from improving economic income (economic
efficiency) in the 1980s to seeking social equity and social justice (political rights) in the beginning of new century (Zhang, 2004).

In early 2003, after the 16th Party Congress and the 10th National People’s Congress, Chinese people witnessed a smooth transfer of power from the former president Zemin Jiang to Jintao Hu. The new president Jintao Hu and prime minister Jiabao Wen initiated a series of new policies to systematically examine existing internal economic and social problems caused by former economic efficiency oriented policies. Hu and Wen’s ideas and working styles, significantly different from the former leaders, are called “Hu Wen New Deal” in the public discourse. The thrust of the “Hu Wen New Deal” is that successful steering of the ship of China to a bright destination requires changing the role of the CCP (Chinese Communist Party) from a revolutionary party to an administrative party, changing and improving the relationships between people, party and government, increasing the capability of governance to solve deteriorating social and economic situations.

On December 4, 2002, in his speech at the commemoration of the 20th anniversary of the publication and implementation of the “82 Constitution”, Hu Jintao emphasized that the legitimacy of the Chinese government should be based on the content of people, which is reflected in the ultimate authority and legal power—the Constitution. He stressed that all government organs and military units as well as all political parties and social groups must abide by the Constitution and have the responsibility to guard the sanctity and ensure the implementation of the constitution. (Hu, 2002)

Right a week after he was elected as General Secretary of the CCP, Hu visited Xi Bai Po, the former communist revolutionary base, and openly called for preserving the Communist tradition of avoiding arrogant and rash behavior and honoring hard struggle. In his address, he highly emphasized the importance of one of the basic principles of CCP, “full heartily serving people”. (Chinese News Net, 2003). Hu Jintao and Wen Jiamao’s political guideline later was summarized as “New Three People's Principles” —power for the people, feelings linked to the people, benefits sought on behalf of the people--and advocated “party for the public, governance for the people.”

Hu, Jintao also initiated mass media reform, calling for the change of rhetoric used by journalists and asked the mass media to shift their focus to telling the stories of people, reduce the public coverage of the activities of party and government leaders, monitor the behavior of government and improve government accountabilities, rather than only being the mouthpiece of the government. Although it is far away from the real, comprehensive mass media reform expected by Western democracy, this policy exemplified the people oriented feature of the “Hu Wen New Deal” and is highly appreciated by the public.

It is worthy to mention that the Hu Wen new administration paid much more attention to the voices of intellectuals than before. Since December 2002, about 40 experts have either been invited into Zhongnanhai (equivalent of the White House in the U.S.) to teach in the areas of their expertise, or have provided advice and consultation on government policies, which has largely ignited the interest of Chinese intellectuals in participating in the public policy making process (Wei, 2004).

In this case, it is obvious that the change of public mood in China, and the transition of administration from Jiang to Hu, significantly increased the possibility of the detention issue to be caught by government officials and be put onto the government institutional agenda. The “political window” opened by the new presidency of Jingtao Hu provided the opportunity for public policy entrepreneurs to attach a well-prepared solution to the detention issue and further raise it to the decision agenda.

**Public entrepreneurs, problem window and coupling**

The Sun case was first released by a local newspaper, the Southern Metropolitan Daily, one of the pioneers in Chinese mass media. The journalists of the newspaper are ambitious young professionals who try to run their newspaper as a world leading one like the New York Times and Washington Post. To achieve this goal, they restructured the traditional organization form of news media taken by the state-run newspaper and invented attractive performance reward system, giving journalists more discretion and incentives to dig out stunning news. After successful reengineering and commercialization, the newspaper
has become one of the most influential mainstream media in the country, with over 1 million daily copies and advertisement revenue over CNY 500 million, which distinguish it as No. 2 in Guangdong province and No. 5 nationwide. However, their goals are far beyond economic profits. As one of his founders said, its mission is to advocate the freedom of press and effectively monitor the actions of government so as to protect and improve public welfare. The death of Zhigang Sun is only one piece of their influential reports ever released (Cheng, 2002)

After hearing of the death of Zhiang Sun, Professor Xiaoming Ai, one eminent scholar in Chinese literature at Sun Yat-sen (Zhong Shan) University, published her comments on one influential online bulletin board. She vehemently criticized the malpractice of local police in arresting Sun, calling for investigating the truth behind the death of Zhigang Sun and protecting the rights of migrant workers. She iterated several times that the reason people paid enormous attention to the tragedy is not because of the identity of Zhigang Sun as a college graduate who is traditionally regarded as Chinese elite, but that his fate exemplified the miserable situations migrants are facing. She asked for punishing involved criminals and abolishing the existing “Measures” and repatriation system.

Ai’s article was soon reposted and circulated around all main Bulletin Board Systems (BBS) and online forums, which led to a tremendous debate on the death of Zhigang Sun. Sun’s death was amplified by the voice in cyberspace, and soon caught the public’s attention. Following the report of the Southern Metropolitan Daily, virtually all mainstream media participated in the discussion, including CCTV, Chinese Youth Daily, and the Nanfang Weekend, which put enormous public pressure on the government. (Zhu, 2003)

Chinese intellectuals took advantage of the Sun Case as a valuable opportunity to attach their solutions to some problems they have been trying to resolve for a long time. Economists focused on migration policy in terms of its hindrance on the development of free economy, calling for the abolishment of Hukou system; some legal scholars narrowly emphasized the modification of existing “Measures”, whereas some argued its violation of procedural law and constitution.

Two groups of legal scholars who wrote to the Standing Committee of the National People’s Congress (NPC) significantly contributed to the final solution of the Sun case. On May 15, 2003, three doctoral candidates sent a letter to the Standing Committee, arguing that the existing measures violated the freedom of movement stipulated by the Constitution and the legislative procedural law. They called for the Standing Committee to launch the mechanism of constitutional review. One of them, Zhiyong Xu, told the British Broadcasting Corporation (BBC), “It is hard for us to predict the future, but we have a hope, which includes a substantial modification of the measures or it’s abolishment. In terms of procedure, we hope a mechanism of constitutional review can be established through reviewing the measures” (Le, 2003).

Later, five leading law and economics scholars backed the three students up by calling for the launch of a special investigation into the case, the status quo of the detention system itself and its enforcement. One of them, Weifang He, a prominent law scholar who has contributed his efforts to establish and improve the constitutionality of China, said that the reasons they appealed to the highest legislative body are “Firstly, supports the plea of constitutional review by the three doctorate students in order to urge the legislation body to note the conflict between the constitution and the government statute….. Secondly, our proposal focuses more on the construction of institutional procedure. We hope the Zhigang Sun case can be an opportunity to start up the special investigation procedure which includes organizing a special events investigation committee dealing with emergency. Thirdly, we call for an independent and thorough investigation into the Zhigang Sun case” (He, 2003).

Finally, the Sun case caught the attention of the State Council, the highest executive body. The “Measures” was invalidated by Prime Minister Jiabao Wen right after three month of the death of Zhigang Sun and soon all involved criminals were sentenced.

Kingdon’s theory as a lens offers a holistic view to analyze the Sun case, helping us answer the questions asked in the introduction. It is the Sun case, not the other case, that terminates the unjust and easy-to-abuse statute because at an opportune time during the “Hu Wen New Deal”, through the opening of a problem window, with the death of Zhigang Sun as a focusing event, public policy entrepreneurs, Ai,
Xiaoming, 3 doctorate students and 5 prominent legal professors and others successfully coupled the three independent streams -- the problem stream, the policy stream, and the politics stream together so as to put it onto the decision agenda and obtain a positive response from the government. Otherwise, the death of Zhigang Sun would have been ignored, the efforts of policy entrepreneurs would have been in vain, the problems of detention and reparation of rural migrant peasants would have been excluded from the institutional and the decision agenda of the government.

CONCLUSION

The world of public policy is a very complex one due to the conflicting interests of participants involved, the ambiguous time effects, the obscure casual-effect relations (policy debates), and complicated subjectivity involved. (Sabatier, 1999). Understanding the public policy process requires simplifying the situation. Various models have been developed to achieve this in order to help people understand, analyze and predict the policy process. Kingdon’s theory is one of the most influential theoretical frameworks which contributes to our understanding of the least understood pre-policy decision stage—agenda setting. Drawing on the Garbage Can Model of Cohn et al., Kingdon successfully revised the model to describe the intrinsic nature of the public policy process. (Zahariadis, 1999). The theoretical robustness of Kingdon’s theory lies in the fact that it tries to use simple conceptualization to reflect the complexity of policy making and find “Patterns from Chaos” at the same time, as Kingdon puts it: “It would be a grave mistake to conclude that the processes explored in this book are essentially random, some degree of pattern is evident in three fundamental sources.” (P.206). Through analyzing the Sun case, this study supplies an application test for Kingdon’s agenda setting theory, which shows that although the extent of “Organized Anarchy” varies in different type of politics, in the U.S., the most plural and fragmented one, or in China, the traditionally regarded authoritarian country, the complexity of public issues and public policy process lend power to Kingdon’s theory.

In addition, this new perspective to examining the Sun case will facilitate the understanding of the current political, social and economic changes happening in China. After the long term high speed economic development, some sequelae are emerging. The new administration is facing unprecedented challenges. To achieve the transformation of the Party from a revolutionary one to an administrative one, they began to develop a series of people-oriented policies, trying to construct a more open, just and responsible government, and gradually push forward political democratization, probably in their own peculiar way, in order to pursue sustainable social and economic development.

After twenty years of economic reform, Chinese society is changing to be more plural and heterogeneous, which might be another reason why Kingdon’s theory fits the Sun case quite well. With the improvement of living standards and education levels, Chinese people have begun to be more concerned with human rights and political rights. The outcry in the public discourse on the death of Zhigang Sun reflected their concerns.

In the case, the potential of the Internet as a public sphere in producing public opinion as Habermas described is exemplified. A recent survey indicates that as of December 2003, China has over 80 million Internet users, or netizens. Close to one fifth of Chinese netizens make use of bulletin boards and community forums (CNNIC 2004). A virtual community described by Rheingold is being formed in China. In the traditional Chinese political system, the channels for citizens to form and express their opinions are very limited. As the Internet emerges in China, its technological potential, expressed by Lessig as “The space promised a kind of society that real space could never allow---freedom without anarchy, control without government, consensus without power”, is attracting citizens including public entrepreneurs to use it as a powerful tool to express their opinions which could not be expressed otherwise in the traditional way.

Although some scholars denied the political potential of the Internet in China, arguing that the Internet in China is commercialized and transformed as something just for fun, (Damm, 2003; Yang, 2003) the role the Internet played in the whole process of the Sun case indicates its irresistible power in communicating information, forming public opinion and mobilizing the mass. Without Ai, Xiaoming’s
opinions posted on the web and the public pressures formed in cyberspace, the case of Zhigang Sun would have been just another story.

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A Policy Analysis of Reforms of Monopolistic State-owned Enterprises: A Case Study of the Tobacco Industry in China

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THE ESTABLISHMENT AND CHARACTERISTICS OF THE CONTROL SYSTEM OF THE TOBACCO INDUSTRY

Tobacco is a special product and an important source of revenue income for the government. Chinese tobacco companies are therefore a special kind of legal entities. As monopolies, they rely upon the government to make high profits. In fact, all Chinese tobacco companies were once government agencies that were authorized to make and sell tobacco products. The monopolization of the tobacco industry by the state covers not only tobacco production and sales, but also exports and imports of tobacco products. This is a state monopoly, which is intended to protect the interests of both the state and the public.

The monopolistic nature of the tobacco industry in China is very obvious. In 1982, the Chinese government founded the China Tobacco Company and started to build a monopolistic control system over the industry. The State Council issued “Regulations of the Tobacco Monopolization” on September 23, 1983. This symbolized the formal establishment of a monopolistic control system of “unified policies, vertical control and monopolistic operation” over the tobacco industry in China. In January 1984, the central government approved the establishment of the China Tobacco Bureau as the central administrative authority of the industry. The main responsibilities of the Tobacco Bureau include making industry policies, supervision, licensing and assets management. On June 29 1991, the 7th Peoples Congress passed The Tobacco Monopolization Sales Law of the People’s Republic of China, which became effective on January 1, 1992. This legislation further enhanced the state’s monopolistic control over the tobacco industry by legislative measures.

The monopolization of the tobacco industry by the state is different from monopolistic phenomena in other industries. It excludes competition from players outside the industry and has many features of the planned economy. In an increasingly market economy, the production and sales of tobacco products are still planned by the government. By prohibiting players from other industries from entering the tobacco industry, the government allows competition only among the existing players within the industry. This industry control system has the following features: total monopolization, state owned enterprises, unification of government and enterprises, and planned administration.

The monopolization practice has shown its effectiveness in the past twenty years. Also, this system has helped the government to control tobacco products. However, with the development of a market-oriented economy, this monopolistic system is under increasing pressure to change. The traditional industry management system, characterized by “unified policies, vertical administration and monopolistic operation,” is becoming increasingly outdated and needs to be reformed.

BACKGROUND OF THE CURRENT REFORM AND ITS LIMITATIONS

Background Analysis of the Current Reform

There are two major drives for the current reform of the tobacco industry in China.

Problems and Inefficiencies within the Tobacco Industry
First, the tobacco industry is highly fragmented. The government has already taken measures to try to address this structural problem of the industry. For instance, in 2003, 22 small tobacco companies were shut down and 17 mid-sized tobacco companies were merged. With these measures, the number of tobacco companies in China was reduced from 185 to 84. However there are still 582 brands of tobacco products. Even with these administrative measures, the industry is still comparatively fragmented, with too many tobacco companies and brands. There is only one company that has an annual production capacity of 2 million cases of tobacco.

Second, local protectionism, which has been a big problem for the tobacco industry in China, is still very strong and exists everywhere. Driven by economic interest, local government will take all possible measures to block tobacco products from other regions outside the local market. Because of this, tobacco companies are not able to distribute their products according to market demands. It is not rare to find that local smokers could not get their favorite cigarettes produced in other regions.

Third, the tobacco industry in China is not efficient compared with global tobacco companies. This problem is caused by such factors as small scale, low concentration of the industry, too many brands, ineffective management and outdated technologies. A study of 106 tobacco companies in China has found that their average sales cost makes up almost 50% of the final selling price. For 67 tobacco companies, their profit margin is below 5% and 36 companies make no profit at all.

Fourth, there is the problem of corruption. Because of local protectionism, the combination of government and enterprises, and monopolistic operation, many officials/managers of the industry were arrested for economic crimes.

Challenge of the WTO

After China’s entry into the WTO, the Chinese government is obliged to open the tobacco market to foreign tobacco companies. With reduced tobacco import duties, Chinese tobacco products are being challenged by imported products. This duty reduction process would take five years after China’s membership of the WTO. By 2005, import duties on imported foreign tobaccos will be reduced to 10%. However, the main challenge to Chinese tobacco companies is not from duty reduction, but the abolishment of non-tariff barriers such as quotas and licenses for special tobacco products.

At the end of 2003, the Chinese government abolished the “two licenses” system which treated foreign tobaccos differently from Chinese products. The new system has only one license that governs both Chinese and foreign tobacco products on equal terms. With this policy change, the sales of foreign tobacco products increased over ten times. This, without a doubt, constitutes a major challenge to the Chinese tobacco market.

With the intensification of the anti-smoking movement in foreign countries, China has become the best growing market for foreign tobacco products. Now, global tobacco companies, particularly the top three tobacco companies, are getting ready to enter the Chinese market at large scale.

In addition, the Chinese tobacco industry does not have its own competitive global brands. For instance, in 2002 China had 1049 tobacco brands, producing 3,053 types of tobacco. On average, the annual production of each brand was only about 32,800 cases. This highlights the low concentration of the Chinese tobacco industry, with too many local and small brands and companies. For example, the market share of Hongta Shan, the number one tobacco brand in China, has never been over 2%, but that of Marlboro is about 61%. This situation is seen also in the area of sales. The annual sales of Philip Morris are more than half the total annual production of the Chinese tobacco industry. The Chinese tobacco industry is facing a crisis.

To meet the above-mentioned challenges, the State Tobacco Bureau has initiated a new wave of reforms. The underlying principles for these reform measures are clarification and registration of SOE assets, separation of tobacco production and distribution, and establishment of a national distribution network that is accessible by all tobacco companies on the basis of equal competition. This new phase of reform was started in 2003 with the founding of Anhui China Tobacco Industrial Company. The intention of the State Tobacco Bureau is to break local protectionism, readjust economic benefits sharing, and
establishing a large and competitive tobacco enterprise to compete with foreign tobacco companies. The new reform measures include the following:

First, to restructure the industry. The government will support 36 large tobacco companies. With financial support from the government, the restructuring of the industry is to be executed in three consecutive phases. At phase one, all small tobacco companies with annual production of less than 100,000 cases of tobaccos are to be shut down. The focus of phase two will be merger and acquisition among tobacco companies with annual production capacity between 100,000 and 300,000 cases. At phase three, M&A plans are to be executed among large tobacco companies to establish national tobacco companies.

Second, to reform the current administrative system. The production and sales of tobacco products are to be separated to become independent economic entities. Tobacco production companies are to be formed in 14 provinces. With these measures, local protectionism is to be eliminated.

Third, to build stronger domestic brands. The government will support 36 leading brands by adopting such measures as abolishing local restriction against these brands, cutting down the number of brands through M&A, building a national distribution network which is to be sole tobacco sales channel. All tobacco products have to be sold through this network, but not all brands are qualified to enter this network.

Finally, to enhance industry operation standards. Measures are to be taken to prohibit the selling of tobacco outside the national distribution network, control the quantity of sample products and tax evasion activities, and enhance pricing management.

The Limitation of the Reform

The current reform measures have solved many problems faced by the tobacco industry in China. However, these reform measures have the following limitations:

Incomplete Separation of Production and Distribution

The separation of government and enterprises are not completed and the separation of tobacco production and distribution relies upon administrative measures. As a result, the relationship between government agencies and tobacco companies has only changed from that between “father and son” to that between “brothers”. The reform of the administrative system of the tobacco industry still has a long way to go.

The separation of tobacco production and distribution will not be able to eliminate local protectionism.

The challenge of the WTO has forced the tobacco industry to reform, with the intention of eliminating local protectionism. However, local protectionism will continue under the current measures. Local governments still have important influence on the management of local tobacco companies, which are important sources of local revenue. As a result, local tobacco markets are still to be controlled by local tobacco bureaus.

The separation of tobacco production and distribution does not help the development of stronger brands.

The separation of tobacco production and distribution could adjust the structure of the tobacco industry to a certain degree. However, this measure does not help the development of stronger brands. Many small local tobacco companies are to be closed, but the quota will stay with the original province. The provincial government will transfer those quotas to larger local tobacco companies. As a result,
leading companies such as Hongta Shan and Shanghai Tobacco will face more severe competition from these remaining local companies.

**The separation of tobacco production and distribution does not lead to successful management.**

With government intervention and control, it is difficult for tobacco companies to be independent players in the market, to compete freely, and to have freedom in management. With these limitations, there is little chance for capable entrepreneurs to emerge.

**OBSTACLES TO FURTHER REFORM OF THE TOBACCO INDUSTRY**

The tobacco industry should learn from the reform of the electrical industry in China: separation of power generation plants from the distribution networks, with the resulting five power generation companies selling their electricity to the two distribution networks based solely on price. This is a real competitive mechanism within an industry.

To meet the challenges of entry into WTO and enhance Chinese tobacco companies’ competitiveness, the tobacco industry needs to evaluate the reform measures taken and continue its reform efforts.

**Further restructuring the industry**

The separation of tobacco production from distribution is the first step, but it does not solve the problem of unification of government and tobacco companies. Future reform measures should complete the “divorce” between government and business: government as supervisor and tobacco companies as business operators. With the distribution system, clear roles should also be clearly defined for the government, business and other players.

**Further reforming the taxation system**

Tobacco taxes are only collected from manufacturing companies, but not from wholesale companies. This results in loses of tax revenue for the government, but still does not help restrict smoking. For further reform, sales tax should be levied at the point of sales. This will help increase tax revenue and enhance consumers’ willingness of paying tax.

**Building Specialized Tobacco Companies to Enhance Market Competition**

For further reforms, the objectives should be the establishment of an effective market competitive mechanism, breaking local protectionism, furthering alliances and building large tobacco companies. For instance, tobacco manufacturing companies expand into national group companies and wholesale and distribution companies expand into national chain companies. Third party logistic companies should also be introduced to the industry to reduce transportation cost. Each region should have at least two wholesale companies to foster competition. This could not only increase service quality, but also solve the tax evasion problem.

**IPO policies for tobacco companies**

To participate in the global market competition, Chinese tobacco companies need more capitals. IPO is one of the ways to raise capital. Most global tobacco companies are public companies. Now the National Tobacco Monopolization Bureau, the state development council and the ministry of finance have in principle approved this initiative.
Joint-venture policies

The tobacco industry does not need to be monopolized by only state-owned enterprises, as this industry does not concern national security and leading technologies. Foreign companies should be allowed to acquire Chinese tobacco companies and the government could control these activities via taxation. The Chinese tobacco industry has too many small companies with limited production capacity. They should learn operation experiences from foreign tobacco companies and the best way is to set up joint venture with foreign companies.

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Public Participatory Policy of China in Transition:  
In Search of Constitutional Democracy

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INTRODUCTION

Public participation, originating from the western heritage of political thought and development, is a more general term than political participation. Modern history since the 18th century witnessed political revolutions toward constitutional democracy after industrial revolutions as well as revolutions in science and technology. All these revolutions have worked together to bring out the advancement of labor productivity and the quality of human life. In a word, constitutional democracy matters for sustainable development, which channels more public participation in political, economic, and social activities through representative democracy as well as direct democracy (Elster and Slagstad, 1988; Mueller, 1989).

Public participation, as a matter of fact, is closely related with the practice and theory of democracy, and public participation can be defined in terms of (1) political behavior of the citizenry (the public) in terms of administering (governing and/or managing) public affairs; (2) normative relationship between the citizenry (the public) and the state in rights, liabilities, and responsibility (accountability); and (3) legitimate involvement in the public policy process (Lindbom, 1980). There are several forms or ways of public participation, which are political voting and election for representative government, political expression and communication in terms of res publica (public realm or public forum), and political association for self-government (self-governance).

Public participation is increasingly regarded not only as the means, but also the end of better governance for a good society (Elkin and Soltan, 1993). What is public and what is private? The search for the public turned into the discovery of the state. The public is those affected by the indirect consequences of human actions. These indirect consequences are what economists might refer to as externalities or neighborhood effects (V. Ostrom, 1997).

However, the rise of the welfare state has resulted in the eclipse of the public since the distinction between public and private was blurred. The administration of a welfare state means the functional disintegration of family and community in society and the economy, and makes it impossible that the public formed by private individuals governs its own affairs resulted from the interaction among private individuals (Habermas, 1979). Consequently, it may be that the coercive state displaces the voluntary community, the state tyranny overtakes the citizen autonomy, and public (national) interest crowds out private interest.

Given the failures of state intervention and market mechanism, the emerging sector of non-profit organizations or non-governmental organizations indicates the rise of public participation as alternative and effective solutions to public problems resulting from economic and social progress (E.Ostrom, 1990; Salamon and Anheier, 1996), and constitutional democracy brings about institutional implications on public participation. The constitutional choice of the rule of law and democracy matters for civil society, market economy, and political state can be defined and can function well through constitutional order in terms of institutional continuity from informal rules to formal rules (Buchanan and Tullock, 1962; North, 1990).

PUBLIC PROBLEMS FROM THE ECONOMIC PERSPECTIVE
The public and its problems (Dewey, 1927) are better understood from the economic perspective in terms of public goods and externality. Public goods can be classified with the rivalrous versus non-rivalrous distinction in consumption and the excludable versus non-excludable distinction in use. Non-rivalrous consumption means one person’s use of them does not deprive others from using them, while non-excludable use implies if one person uses them, then it is impossible to restrict others from using them (see Table 1).

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Excludable Use</th>
<th>Non-excludable Use</th>
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<tbody>
<tr>
<td>Rivalrous</td>
<td>Private goods, such as foods, hair-cut, clothes, etc.</td>
<td>Common-pool resources, such as pastures, rivers, forests, etc.</td>
</tr>
<tr>
<td>Non-Rivalrous</td>
<td>Toll/club goods, such as highway, golf club, cable, etc.</td>
<td>Public goods, such as national security, law and order, etc.</td>
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It is empirically inferred that private goods and toll/club goods can be produced efficiently through market mechanisms, while common-pool resources and public goods can be provided through community and the state. Moreover, the mixed or complex goods such as education, public health, environmental protection, and social security call for alternative, embedded, or compound institutional arrangements.

Externality is to some extent regarded as the other characteristic of public goods, for externality usually means the spillover effect of human action. There are two kinds of externalities: one is external diseconomy such as traffic congestion, environmental pollution, and the tragedy of commons, and the other is external economy such as national defense, private garden facing public street, and public service by voluntary organization.

In other words, external diseconomies are regarded as public bad, i.e., the inconsistency of private and social costs, while external economies are as public goods, i.e., the inconsistency of private and social benefits. Both public bads and public goods are public problems. Most of the standard textbooks in microeconomics suggest that the third party (the state) should intervene on one hand to discourage public bads through taxes and on the other hand to encourage public goods through subsidies because of market (price mechanism) failure.

However, it is arguable that state intervention works better due to government failure such as voting paradox, rent seeking, principal-agent relationship, and fiscal non-equivalence. Empirically speaking, there is the public provision of private goods (e.g., water, money, and parks), while there is the private provision of public goods (e.g., education, national defense products, and security). Thus it is not the typology of private and public goods, but alternative institutional arrangements of collective actions in kind that account for the provision or the production of public goods.

There are four kinds of collective actions for solving public problems in terms of public goods and externality; these are community (voluntarism and inclusion), government (command and coercion), firm (rights and liabilities), and the market (exchange and exclusion). It is evident that collective actions of every kind are correspondent to the specific situation of public problems. For example, voluntary and inclusive collective action works more effectively in environmental protection (E. Ostrom, 1990), while corporation clearly defined by property rights (and liabilities) does better in contractual programs (Milgrom and Roberts, 1992).

Thus it is orthodoxy and misleading with regards to either market or government solutions to public problems. Given an imperfect market and/or imperfect government, more attention should be paid to the third way beyond market and government, which calls for self-manageability of most social organizations mediating between citizen individual and the state. To round up, public problems characterize public goods and/or public bad. Simple public problems necessitate specific collective action, and complex public problems need compound institutional arrangements of collective actions in kind.
MORE PUBLIC PARTICIPATION IN THE EMERGING THIRD SECTOR

A knowledge society in the information age today means big challenges for good governance of the state since network structures of information exchange and communication have been displacing the hierarchical and centralized structures of public bureaucracy. Knowledge in a society is decentralized and personalized in terms of both time and place, which means government is not omniscient, omnipresent, and omnipotent. Thus, the state intervention with coercive and expansive government must be limited in terms of the use of knowledge in society (Hayek, 1945).

Reinventing government in other words calls for restructuring civil society since the administrative state regards most private economic and social affairs as public affairs (public problems), and makes public affairs become national issues. In other words, administering the welfare state has resulted in the decline of civil society, and the end of free capitalism for civil society is the very foundation of the formation and development of capitalism.

Civil society does not refer to production and exchange, but the sum of institutions and organizations in the society, including family, community, workshop, factory, corporation, and other social organizations. According to Marxism, civil society means another social, economic, and ethical order (informal rules) beyond state control, in other words, different from political and legal order (formal rules). The decline of civil society is also regarded as the eclipse of the public or the decline of social capital, i.e., the managerial disability of an organization or a group in a society to realize the common good (the failure of voluntary and associative collective action).

Coercive government should be limited by all means for the sake of better governance as well as freedom, which means the limited scale and the scope of state intervention in civil society and/or the market economy. It is inferred that the idea of limited government calls for more public participation not only in the form of representative bureaucracy and public involvement in the process of public policy making and implementation, but also in the form of the emerging third sector beyond private and public sectors.

The emerging third sector refers to non-profit organizations, non-governmental organizations voluntary associations, or self-government community. It is dramatically reaching most fields of market and government failures such as public goods and externality, and productively solving public problems by means of organizational technology and public entrepreneurship. Moreover, there are wonderful showcases of its knowledge and expertise in the fields of education, public health, environmental protection, community service, and poverty alleviation.

The economic man (self-interest) assumption in both the public sector and private sector is challenged by the publicly spirited man assumption in the emerging third sector. Public participation in managing public affairs or solving public problems in the emerging third sector no doubt calls back the virtues of citizenship from the eclipse of the public, and rethinks the values of township as a self-government community. Thus humanities and social sciences today should take the science and art of human associations seriously.

Moreover, public participation is regarded as the unity of means and ends from the perspectives of political modernization and economic development (Huntington, 1976). On one hand, economic development is positively correlated with democracy, and on the other hand, social-economic progress is positively correlated with public participation. Thus, more public participation is the end of political development, which is also the means toward social and economic progress. However, public participation is the by-product resulted from social-economic progress rather than the product of conscious human efforts, which means more public participation on the basis of voluntarism and its diversity along with social-economic modernization.

Finally, it may be concluded that the more public participation, the more societal equity, the more effective governance, and the more economic development. Thus the emerging third sector, developed from the orderly separation between civil society, market economy, and political state, means to a great
extent the increase of the self-governability of civil society, the accumulation of social capital for sustainable development, and the decline of state intervention in economy and society.

THE IMPLICATIONS OF CONSTITUTIONAL DEMOCRACY ON PUBLIC PARTICIPATION

On the basis of the significance of public participation in solving public problems, the final part of the paper is a theoretical approach to the implications of constitutional democracy on public participation. The values of constitutional democracy take on mainly democracy and the rule of law, which assure equal political rights and liabilities of the citizenry. Democracy means encouraging the public to take part in the governance of public affairs, while the rule of law means limiting state intervention to protect citizen rights and liabilities. Moreover, democracy and the rule of law are like twin sisters since democracy without the rule of law may lead to majority despotism.

It calls for constitutional choice of the values of democracy and the rule of law for constitutional democracy, which lays down the constitutional foundation of equal political rights and liabilities of the citizenry as well as voluntary association for collective action (Jasay, 1991; Almond and Verba, 1972). Moreover, constitutional procedural justice is the precondition of political substantive justice, which means the rule of game should be accepted unanimously before game activities begin.

Figure 1. A Constitutional Framework of Public Participatory Policy

A constitutional framework of public participation is thus provided in order to make the choice of alternative collective actions as well as individual action of citizenship on the evaluative basis of social desirability, economic efficiency, and societal equity (see Figure 1). For example, the family-based contractual system since the late 1970s has been established nationwide in market-oriented reform China. However, this institutional incentive may be good for agricultural production, but bad for sustainable pasture because of overgrazing and market drive. The sustainability of common pasture thus calls for alternative collective actions to cope with the tragedy of commons. And it would show that the double-track of a family-based and community-based contractual system works better in terms of social desirability, i.e., sustainable pasture.

From the perspective of this constitutional framework of public participation, it can be inferred that constitutional democracy not only promotes public participation through constitutional choice and alternative collective actions, but also calls for innovative government that means limited but contractual representative government. Solving public problems needs wider public participation, i.e., a cooperative partnership between/among market, firm, community, and government. For example, social security
usually calls for the cooperative partnerships among government finance, market insurance, individual account, social security tax, and even voluntary organization for mutual aid.

CONCLUSION

Constitutional democracy values democracy and the rule of law (equal political rights and liabilities) and thus promotes public participation. The constitutional framework of public participation helps us understand that more public participation means the improvement of social desirability such as economic efficiency, societal equity, and sustainable development. Moreover, public participation results from the institutional division of civil society, market economy, and political state under constitutional order. Finally, the emerging third sector and more public participation thereof are thus regarded as the products of constitutional choice learning of citizenship.

Since the late 1970s, China has been greatly transformed from a command economy toward a market economy, from an agricultural society toward an industrial society, and from a totalitarian state toward a democratic state. The value and fact of constitutional democracy and public participation, which account for the historical rise of the west, are more and more recognized in cultural China. As a matter of fact, it is not a new idea in socialist China that civil society will survive and prosper eventually, provided Karl Marx’s prophecy of the withering state comes true. Thus the sustainability of human development lies in institutional innovation of constitutional learning.

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Analyzing the Policies of Developing the Western Region in China

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Since the introduction of reform and opening-up policies, noticeable achievements have been made in China’s national economic construction, as well as regional economic development. Now that the social economic development begins to assume new changes and various regional problems become increasingly glaring, the improvement of regional policy has become an urgent task to develop the future national and regional economy. Therefore, the strategy of developing the western region, proposed in 1999, conforms to the trends of the times. So far, the central government has promulgated a series of policies in support of the implementation of the strategy. However, the current policies of developing the western region are far from satisfactory, and they may, to some extent, hamper the coordinated development of the entire country. Improving these policies is of great significance not only to the successful realization of the strategic goals, but also to the development of the entire national economy.

On the basis of the experience accumulated from the regional policies of foreign countries, the paper tries to put forward a systematical policy framework so as to analyze the problems existing in China’s current policies, and at the same time propose a guiding principle for the further improvement of the policies.

THE EVOLUTION OF CHINA’S REGIONAL PROBLEMS AND THE INEVITABILITY OF DEVELOPING THE WESTERN REGION POLICIES

Regional problems fall into three categories — backwardness, depression and excessive development\(^6\). If we take a broader perspective in terms of the regional relationships, we will find that the regional problems should also include the expanding gap between regions, interest contradictions and conflicts among regions. In general, regional problems actually emerge from “problem regions.”

Problem regions, or problem areas, refer to the objective regions selected by the regional administration agencies subordinated to the central government through a series of regulations and procedures. These are regions with “diseases” that cannot be cured by their own strength if the assistance from the central government is missing. Corresponding to the types of “diseases” are three kinds of problem regions, namely, backward regions, depressive regions and regions with excessive development\(^7\). Countries usually tend to make regional strategies (or regional economic development strategies, regional social economic development strategies) to handle regional problems so as to achieve their macro-economic goals. Therefore, regional strategies are systematical plans to spatially organize and arrange a country’s economy, population and environment and so on.

With the phased changes of both national and regional economic development, regional strategies need to adjust to new conditions. Such adjustments are not only the result of the political and structural changes, but also the reflection of the demand to address regional problems. With the development of the social economy, China’s ever changing regional problems will also increase. The past 55 years since the founding of the People’s Republic of China demonstrates that the evolution of China’s regional problems


shares some similarities with the process of developed western countries in their drive towards modernization.

After careful analysis of the development courses of western countries, we find that there exists a rule in the emergence and evolution of regional problems. In pre-industrial and early industrial times, the major regional problems were poverty, backwardness and the imbalance in the development of productivity among regions. However, as a country’s industrialization accelerated, the major problem turned to the expanding gap between regions, accompanied by the economic contradictions and conflicts between them. When the socioeconomic level became comparatively advanced, the regions, which used to be the pioneer of the industrialization, began to show the symptoms of excessive development or even depression\(^8\). The changes of China’s regional problems have also presented such regular characteristics (see FIGURE 1).

For the past half century since mid 1950s, the track of China’s regional strategy evolution has been quite distinct. The evolution had five distinct periods: Interior Area Construction, Construction of “the Strategic Hinterland of China”\(^9\), Strategic Adjustment, Coastal Area Development, and Coordinate Development\(^10\). Prior to the introduction of reform and opening to the outside world, the urgent regional problems were poverty and the imbalanced development of productivity. Hence it explained why the focus of regional strategy was emphasized on the West and Central Regions to balance development between regions. Despite the setbacks in the period of Construction of “the Strategic Hinterland of China”, the implementation of regional strategy was absolutely correct. Owing to the imperfections of the supportive regional policies and the obvious drawbacks in economic system (a Soviet-type planned economic system), the strategic goal at that time failed to realize.

Soon after the introduction of reform and opening to the outside world, the adoption of certain “radical” measures to stimulate the priority in development of the southeast coastal area, which had a better economic basis for further development, was the product of the national “macro growth pole”. Meanwhile, the tentative reforms in some regions where conditions permitted would help to accumulate

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\(^9\) In Chinese, the Strategic Hinterland is called as “SanXian DiQu”(The Third Front). The region is mainly the mountain areas in Central and West China.

\(^10\) It is misleading that some scholars in China do no distinguish regional strategies from regional policies, and confuse the evolution of the two. See Zhang Keyun, 2004. Regional Economic Policy, Beijing: The Commercial Press.
experience for the early practice of reform and opening-up, and prepare for carrying out the reform and opening-up in an all-round manner. History has proved that resolution on the strategic development in coastal areas was wise and appropriate, because it has laid a solid foundation for the enforcement of future regional policies on a greater scale. If there had been no preferential development in the coastal areas, it would have been impossible for central government to give a financial support to the development of western region. However, we should not neglect the fact that the privilege of coastal areas has also invited some negative effects to some extent—the widening gap and the intensifying contradictions and conflicts between regions. In addition, the decay of the traditional industrial zones and the excessive and irrational development of some urban areas have become increasingly severe. Under such circumstances, the Third Plenary Session of the 16th Party Central Committee proposed the requirement of “five balanced aspects” (balancing urban and rural development, balancing development among regions, balancing economic and social development, balancing development of man and nature, and balancing domestic development and opening wider to the outside world). Balancing development among regions is the core, and the development in western region is one of its key tasks.

Any regional strategy should be backed up by some specific regional policies. Regional policy is one of the most important tools used by governments of various levels, central government in particular, to exert influence on regional economy. By giving full consideration to the overall condition of the nation, and deliberately offering favorable policies to problem regions of certain kinds, governments manage to transform some of the spatial patterns formed by market forces, so as to promote regional economic development, coordinate regional relationships, and make good distribution among various regions. Given the fact that regional strategy and regional policies are somewhat alike to each other, they have distinctive differences. First, they have different focuses. Regional strategy centers on the spatial arrangements of socioeconomic activities to ensure the orientation in which efforts should be made in key regions within a certain period of time, whereas regional policies mainly deal with the identification of the problem regions and the selection of policy tools. Second, they have different basic functions: regional strategy pursues the optimization of spatial patterns, whereas the purpose of regional policies remains in the improvement of the tools to support problem regions and to solve regional problems. Mixing up the two would invite negative consequences. Today, China’s research on the supportive policies to implement the strategy of developing the western region has still remained on the strategic stage, and policies proposed usually lack feasibility. The evident defects in these aspects have, to some extent, something to do with the inadequate distinction between the two. Presently, there still remain some problems in the setting of regional administration agencies, the formulation of policies, the identification of objective regions, policy goals and tools. We are going to have a thorough discussion on these drawbacks in the 3rd part of this paper.

THE PRACTICES AND BASIC FRAMEWORK OF REGIONAL POLICIES IN DEVELOPED COUNTRIES

It was in the United States and Europe that regional policies came into being and flourished. Studying the practices of regional policies in these countries will help to enrich our experiences in this regard so as to improve China’s policy of developing the western region.

The period from the late 1920s to 1940s was regarded as the dawn of regional policies. Despite the absence of mature theories to back up regional policies, governments of western countries began to realize the importance to navigate the spatial arrangement of economic development. The following are

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11 See Zhang Keyun, 2001. Regional Warfare and Regional Economic Relationship, Beijing: The Democracy and Construction Press. In this book, I described in detail the two rounds of regional economic conflicts which happened since 1978 and predicted that the third round conflict was coming.


two reasons for their shift: lingering poverty in backward regions, the continuing economic recession in depression-stricken regions.

The lingering poverty in backward regions in southern America was the direct reason for the U.S. government to actively intervene in the development of these regions. On May 18th, 1933, U.S. Congress passed the Tennessee Valley Authority Act (TVA Act), and approved the establishment of Tennessee Valley Authority (TVA), the agency in charge of the leadership, organization, and administration of the comprehensive development in the Tennessee valley. In the 1960s, the U.S. government decided on the list of the first group of regions in need of economic aid, or the U.S. problem regions more precisely. Appalachian Regional Commission (ARC) was the most famous at that time.

Britain’s regional policies can be dated back to the Special Areas (Development and Improvement) Act in 1934. That was the first legislation aiming at regional problems, the purpose of which was to reduce the unemployment contrast among different regions. The unemployment rate then in London and southeast England was nearly 14%, northwest, northeast regions and Scotland amounted to over 25%, and Wales soared to over 36%. Regarding the regional differences, British government legislated to produce a list of problem regions, which included South Wales, Scotland (Clydeside and North Lanarkshire), North East and West Cumberland. Two Special Areas Commissioners were appointed to administer the limited loan and aid powers. Furthermore, Royal Commission on the Geographical Distribution of the Industrial Population was set up to stress the problems in these areas. In 1940, the commission produced the famous “Barlow Report”, which highly appraised “stick plus carrots” mode of tools. The report set up a framework for regional policies during the period since the end of World War II to 1960s as well as a model for its successors to follow suit.

In 1950s, regional policy received more attention from the governments of various countries. Regional policy became an important means for regulating and controlling regional economic development. According to the experience of the developed countries, a complete regional policy must consist the following:

**Rationally established regional administration agencies with definite responsibilities**

Practices of many countries tell us that the establishment of the regional administration agencies determines, to a large extent, the effects and economic returns of regional policies. The ways of setting up a regional administration agency varies with the types of countries, due to the differences in their respective basic systems. Generally, there are three kinds of systematic modes: independent functional departments under the leadership of the government, specialized functional department of the government, and correlated functional departments of the government. The mode of independent functional departments refers the decentralized state that many departments of central government have rights to make their own regional policies. These departments are not only entitled to determine the regional affairs within the scope of their responsibilities, but also have the power to independently implement the projects approved by the regional policies. The problem with this mode is the inadequate communication among different departments. The mode of specialized functional department allows the unique department designated by the central government to formulate and implement regional policy. This mode is widely adopted in the unitary states. The specialized department may have its own budget (like ordinary ministries and commissions of the state council), or simply supervise the allocation of resources of other agencies, draft legislations, assign scientific research to other institutions, or provide consultancy services to governments or private organizations. Correlated functional departments mode refers to the joint efforts by some departments subordinated to central government to produce and

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implement the regional policies. This mode is mainly adopted in U.K., Switzerland, and Denmark and so on. Usually, the departments involved are those responsible for economic development, environment, labor and social issues.

**A rational and definite framework to distinguish standardized regions and problem regions**

A standardized region has its name standardized and encoded; it has a comparatively fixed geographic range, and performs as the multi-level planning basis for regional policymaking and plan making. For instance, the EU’s Nomenclature of Territorial Units for Statistics\(^{18}\) and America’s Economic Areas\(^{19}\) are both standardized regions. The objective areas of regional policies, or the direction in which regional policies are going, refer to problem regions. Regional problems are objective reality, with features of neither static nor permanent. However, geographically, there are no definite borders of problem regions at a glance. Therefore, government needs to identify which regions it is going to offer assistance to. Furthermore, the dynamic features of regional problems determine that the identification work is not once and for all. We should keep flexibly adjusting the framework to identify problem regions, with regards to the on-going changes of problems in these regions. The EU’s Objective Regions and America’s Economic Development Regions are frameworks of problem regions. Should there be no regulated framework to distinguish standardized regions and problem regions, it would be impossible to work out practicable regional policies.

**Concrete and well-defined goals of regional policies**

The goal of a regional policy is a logical statement of resolving regional problems to achieve certain objectives by implementing the tools of regional policies. The goal is also a standard to pre-evaluate regional policies. Whether a regional policy can be approved by the legislature or accepted by the public depends, in a sense, on whether the goal of the regional policy is reasonable and scientific. Besides, the goal of regional policies determines the identification of problem regions. Accurately illuminating and quantifying the goals of regional policies is well justified by three reasons: scientific determination of the objective regions, effective combination of the regional policy tools, and the evaluation of the regional policies.

**Valid regional policy tools and their reasonable combinations**

Regional policy tools refer to the specific approaches and measures aimed at achieving the goals of regional policies and solving regional problems. In other words, regional policy tools are the sum of means and measures that reward regional economic activities that conform to the goals of regional policies, and limit those going against them. It is the common practice that a country may take several approaches and measures to carry out its regional policies. By scrutinizing and comparing different approaches, better ones are able to stand out. However, there is by no means the existence of absolute good or absolute bad regional policy tools. Theoretically, a specific regional policy tool has its advantages and drawbacks. The result is that the choices and combinations of regional policy tools in many countries have to be confirmed by legislation to avoid controversy.

In summary, a standard regional policy should at least include the above four aspects. In addition, a scientific and rational evaluation system for regional policies should also be established. The fundamental framework of regional policies can be illustrated (FIGURE 2). The evaluation of regional policies is one of the facts to assure the improvement of regional policies. The evaluation is a relatively independent field of research, and, therefore, is not the focus of this paper.

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ANALYSIS OF THE PROBLEMS OF THE POLICIES FOR DEVELOPING THE WESTERN REGION

Since the strategy of developing the western region was inaugurated in 1999, the central government of China has promulgated a series of policies to promote the development in the region concerned. The policy documents include “Circular of the State Council on Policies and Measures Pertaining to the Development of the Western Region” in 2000, “Suggestions on the Implementation of Policies and Measures Pertaining to the Development of the Western Region” in 2001, “On Several Suggestions on Perfecting the Policies and Measures of Reforesting Formerly Cultivated Land” in April 2002, “Regulations of Reforesting Formerly Cultivated Land” in December 2002, and “On Several Suggestions on Implementation of Policies and Measures of Developing Western Region” transmitted in September 2001 by the General Office of the State Council from the Office of Developing the Western Region of the State Council. In addition, some specific and comprehensive plans were also publicized, some of which include policy content, such as “Ten-Year Program of Talents’ Tapping in the Western Region” in March 2003 published by General Office of the Central Committee and General Office of the State Council, and “The Master Plan of the Development of Western Region During the Tenth Five-Year Plan” published by The State Planning Commission and the Office of Developing the Western Region of the State Council in July 2002.


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Promote Regional Cooperation and Counterpart Aid; 16) Attract and Make Good Use of Talents; 17) Make a Full Play of the Leading Role of Science and Technology; 18) Increase Investment in Education; 19) Step Up the Development of Culture and Health; 20) Interpretation and Implementation of Policy Measures. The above 20 include 70 detail rules and regulations. In light of “The Master Plan of the Development of Western Region during the Tenth Five-Year Plan”, we would like to study the policies of developing the western region in terms of the structure and procedures of the policies, its objects, goals and tools. Finally, we would also make a comprehensive analysis on the pluses and minuses of “The Suggestions.”

THE ADMINISTRATIVE BODY AND PROCEDURES OF THE POLICIES OF DEVELOPING THE WESTERN REGION

In January 2000, the State Council set up the Leading Group for Western Region Development. The group has the following major tasks: organizing the implementation of the principles, policies and instructions of the CPC central committee and the State Council to develop the western region; reviewing the development strategy, plans, major problems and laws and regulations concerned; studying and reviewing the major policy suggestions on the development of the western region, coordinating the economic development and the progress of scientific, educational and cultural causes in western region to promote the construction of two civilizations (material civilization and cultural and ideological progress). The executive body of the leading group is The Office of the Leading Group for Western Region Development of the State Council. The office is responsible for proposing the suggestions on the strategy of developing the western region; its development plans, major problems and regulations and laws concerned in order to promote a sustained, rapid and sound economic development; proposing the suggestions on the economic development in rural areas, key infrastructure construction, ecological environment protection and construction, structural readjustment, resource development and the distribution of the major projects, organizing and discussing the implementation of the plan of reforesting the cultivated land; proposing the suggestions on deepening reforms, further opening up to the outside world and inviting both domestic and foreign investment, technology and talents to western region, and helping the development of the economy and the causes of science, education and culture in an all round manner. The office is also responsible for undertaking other missions designated by the leading group. However, the executive body of the Office of Western Development was then attached to the National Committee of Development and Reform (then State Development Planning Commission) so its rights and obligations were not clearly regulated by legislative body (the National People’s Congress). The office had neither the independent decision-making rights nor the funds at its disposal to support regional policies. The measures adopted by the office to aid the development of the western region had to be considered according to the budget of many other departments, such as railway, transportation, water resources, agriculture, forestry, information industry and state-owned banks. As for procedures, “The Suggestions” does not have any regulations, the situation closely related to the scattered decision-making powers.

THE OBJECTIVES OF THE POLICIES OF DEVELOPING THE WESTERN REGION

“The Suggestions” clearly stipulates the applicable scope of the policies: “The policies and measures pertaining to the development of the Western Region and suggestions on their implementation enacted herein are applicable to Chongqing Municipality, Guizhou Province, Sichuan Province, Yunnan Province, the Tibet Autonomous Region, Shaanxi Province, Gansu Province, the Ningxia Hui Autonomous Region, Qinghai Province, the Xinjiang Uygur Autonomous Region (Xinjiang Production Construction Corps separately listed), the Inner Mongolia Autonomous Region, the Guangxi Zhuang Autonomous Region (these areas hereafter abbreviated as the Western Region). With regard to ethnic minority autonomous prefectures located in other provinces (the Xianxi Tujia-Miao Autonomous Prefecture of Hunan Province, the Enshi Tujia-Miao Autonomous Prefecture of Hubei Province, and the
Yanbian Korean Autonomous Prefecture of Jilin Province), preferential treatments could also be applied to them in the light of related policies and measures. This is what we call “12 plus 3” framework. Although it clarifies the applicable scope of the policies, it has obvious drawbacks:

Firstly, the coverage of the policies is too wide. The area of “12 plus 3” framework outruns the area of several big European countries combined, so it is impossible for central government to support the development on such a scale;

Secondly, there is no detailed framework of problem regions. Various regional “diseases” also exist in the western region, and we should centralize our efforts to deliberately address the focal points of the regional problems through multi-leveled frameworks of the problem regions. Regretfully, “The Suggestions” fail to propose the details, and, as consequence, the construction fund was not put to the best use. So far, the implementation of the policies for developing the western region has not been very satisfactory, because a large proportion of fund has been put into western urban areas, and most rural areas are still in difficult times because of the lack of funds.

Thirdly, although “The Master Plan of the Development of Western Region during the Tenth Five-Year Plan” stipulates the key areas of the western region, it did not stress the most severe regions. “The Plan” puts it: “We should select the areas with relatively sound economic basis, obviously advantageous geographic positions, dense population, together with the areas that play as the hubs of transportation. These are the key areas for development. Thanks to the main communications arteries, such as the Asia-Europe Transcontinental Bridge, the golden waterway of the Yangtze River and the southwest channel to sea, and the role of resource gathering and influence radiating of the key cities, we should concentrate on key areas so as to produce the effect of ‘stringing the points and fanning out from points to area’. The result is the formation of economic zone of the west Longhai & Lanxin Railway, the economic zone of upper Yangtze River, and “Nanning + Guiyang + Kunming” economic zone, and the development of their surrounding and rural areas. We should guide the proper mobility of the surplus labor forces and residents in rural areas, prosper the urban economy, develop large, small and medium-sized cities in line with their respective conditions, and accelerate the development of small towns to improve China’s urbanization.” The key areas are the points of the development mode of “stringing the points and fanning out from points to area”, and are the pioneering areas to stimulate the overall development of the entire western region. However, strictly speaking, these key areas are not the problem regions, and it should be pointed out that the construction in these areas is likely to expand the internal differences between western areas in the near future.

THE GOALS OF THE POLICIES OF DEVELOPING THE WESTERN REGION

“The Suggestions” does not give the specific goals of the western development, but the later “The Master Plan of the Development of Western Region during the Tenth Five-Year Plan” presents the major goals of developing the western region during the period of the Tenth Five-Year Plan. There are seven goals of the plan: first, a number of key infrastructure projects in the fields of water conservancy, transportation, energy and telecommunications will be taken into account, launched, or put into operation, and there will be an apparent improvement of the backwardness of infrastructure construction; second, an all-out ecological and environmental building will be carried out in upper Yangtze River and the areas surrounding the Three Gorges Reservoir, the upper Yellow River valley, Heihe and the Tarim River valleys; deterioration of ecosystems in the key environmental areas will be curbed, and obvious improvements be made in the fight against pollution. Third, there will be a remarkable increase in the market competitiveness of the advantageous agricultural and sideline products, mineral products, and tourism industry; traditional industries will be altered and improved, and the competitive new and high industries begin to prosper on a large scale; the evident development in industrial restructuring will greatly improve the quality of economic growth and benefit. Fourth, the advanced applicable technology

The seven goals mentioned above are open, not closed. In other words, the goals are not quantified, so it is difficult to foresee the actual effects and benefits of the policies to develop the western region in the future. The lack of concreteness of the goals is the result of the overly vast coverage of the policies.

THE TOOLS OF THE POLICIES OF DEVELOPING THE WESTERN REGION

“The Suggestions” has made a relatively clear regulation of the tools of the policies for developing the western region. We would like to proceed from direct assistance, indirect assistance, regulatory tools and measures to analyze the policy tools.

TABLE 1 Major tools of direct assistance to develop the western region

<table>
<thead>
<tr>
<th>Direct assistance</th>
<th>Concrete tools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>● Key poverty alleviation funds</td>
</tr>
<tr>
<td></td>
<td>● Subsidies to reforesting cultivated lands</td>
</tr>
<tr>
<td>Grants</td>
<td>● Allowances for poor and remote areas</td>
</tr>
<tr>
<td></td>
<td>● Investment in education</td>
</tr>
<tr>
<td></td>
<td>● Special subsidies to social causes</td>
</tr>
<tr>
<td></td>
<td>○ Special regional subsidies of the central government to western regions</td>
</tr>
<tr>
<td></td>
<td>○ Talent training and mobility</td>
</tr>
</tbody>
</table>

| Preferential credit | ● Credit investment in infrastructure development                         |
|                    | ● Increase in the proportion of RMB in the investment of fixed assets       |
|                    | ○ Credit investment in agricultural and ecological development             |
|                    | ○ Credit in support of industrial restructuring                           |

| Reduction & exemption of taxes | ● Reduction or exemption of the income taxes of domestic and foreign enterprises making investment in western regions |
|                               | ● Reduction or exemption of the income taxes of enterprises in the fields of transportation, electric power generation, postal service, radio and television |
|                               | ● Exemption of local agricultural products taxes                            |
|                               | ● Exemption of the taxes from the requisition of farmland to build highways |
|                               | ● Exemption of custom duties on imported equipment for self-use and value-added taxes caused by import links |


There are two kinds of specific results of regional policies—open objective and closed ones. The former reflect the changes of index of the regional problems, such as the increase of employment rate in problem regions and narrowing disparity among regions. A closed objective refers to the statement of the result of a certain expectation in a specific time, such as 3% reduction of unemployment rate in 2005, or an annual income of RMB 3000 yuan per capita in 2006.
DIRECT ASSISTANCE

“The Suggestions” lists a number of tools of direct assistance (TABLE 1).

As we see in TABLE 1, most of the policy tools are not concretely defined. For example, the subsidies of restoring farmland to forests and grasslands are allowed according to the regulations that “Government supplies the farmers who have restored their farmlands with gratis grains for a period of time, according to the standard of subsidies allowed in the areas of upper Yangtze River and upper and middle Yellow River valley, with annual subsidies of 150 and 100 kilograms per acre respectively. The cost of grains will be undertaken by central government revenue, while the cost of allocating and transporting grains will be borne by governments of various levels. Meanwhile, government will also offer some cash compensation for the farmers who have restored their farmlands, the standard of which is annual average RMB 20 yuan per acre. The expenditure is part of the government budget. Government will also provide land appendage and young crops compensation to farmers, with RMB 50 yuan per acre according to the standard of the compensation for reforesting cultivated lands and undeveloped land usable for afforestation.” Another example, with respect to the reduction or exemption of the income taxes of domestic and foreign enterprises that make investments in western region, “The Suggestions” says “from the year 2001 to 2010, the income taxes of domestic and foreign funded enterprises in the encouraged fields that make their investments in western region will be reduced to 15%.” Evidently, the direct assistance is quite great in both width and depth.

However, there is still inadequacy of concreteness in assistant policies. For instance, there is no detailed regulation of talent training and mobility. The measures of preferential credit for agricultural and ecological building are not detailed and concrete.

INDIRECT ASSISTANCE

Tools of indirect assistance focus on infrastructure development in the western region (TABLE 2). Most of the tools to develop infrastructure are concrete and to-the-point.

<table>
<thead>
<tr>
<th>Indirect assistance</th>
<th>Specific tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure development</td>
<td>● Investment in major infrastructure projects</td>
</tr>
<tr>
<td></td>
<td>● Credit to constructing main highways</td>
</tr>
<tr>
<td></td>
<td>● Credit to developing urban infrastructure</td>
</tr>
<tr>
<td></td>
<td>☀ Lending against tolling right or infrastructure project’s future returns as mortgage</td>
</tr>
<tr>
<td></td>
<td>● Exemption of the income taxes of the newly built enterprises of transportation</td>
</tr>
<tr>
<td>Industrial zones and Science &amp; Technology Parks development</td>
<td>None</td>
</tr>
</tbody>
</table>

Note: The source of the material and the meaning of sign are the same with those of TABLE 1.

No special measures to develop the industrial zones or science & technology parks are listed in “The Suggestions”, but concrete measures are formulated to encourage the development and innovation of the enterprises of science and technology in western region.

REGULATORY TOOLS AND OTHER MEASURES

With respect to regulatory tools, efforts should be made to relax the rigid administrative procedures: increasing the quotas of imports and exports, relaxing the limitation on issuance of licenses, simplifying the procedures to examine and approve invested projects, reducing the intermediate links of
examining and approving the requisition of lands for constructive purposes, and lessening the charges on exercising the rights of exploring and mining mineral resources.

Besides the tools mentioned above, “The Suggestions” also prescribes regional economic cooperation (coordinated regional cooperation and assistance), investment of foreign enterprises and foreign trade and economic activities, but there are no applicable tools to support regional economic cooperation.

BASIC EVALUATION OF THE POLICIES OF DEVELOPING THE WESTERN REGION

Generally speaking, the promulgation of a series of policies and regulations, including “The Suggestions”, has provided a strong backup to the implementation of the strategy of developing the western region. Chronologically, policies promulgated in recent years represent more feasibility and applicability than those of years before.

However, owing to the irrationality of the setting of administrative agencies across the country and the procedure arrangements on one hand, and the absence of a framework to determine standardized and problem regions on the other, the policies of developing the western region, like other regional policies, fail to realize the goals, due to the lack of fundamental backup of the systems. Affected by such drawbacks, the current policies of developing the western region inevitably have difficulties as they forge ahead: the normative and legitimate division of responsibilities between the decision-making body and execution body has not come into being; obscurity of procedures defined by policies is likely to have a seek-and-rent consequence in the western region, which will in turn increase the cost of policies; the overly vast coverage of the policies will exhaust the financial capability of the government, and some policy assistance of great intensity, such as the policy of restoring farmlands to forests and grasslands, cannot last long; the goals of the policies are not well defined, so it is difficult to supervise the process of the enforcement of the policies or evaluate their effects; despite the feasibility of most policy tools, the objectives upon which they act are not fixed, and the policies may trigger conflicts between regions or even cause corruption; the intensified assistance to the western region may invite resentment from the central region. In this sense, the policies of developing the western region are anything but perfect. It is improper to at any time, confuse the focal areas of the regional strategies with the objective areas of the regional policies, because it will trigger contradictions between regions. As the major task of China in the 21st century, the policies of developing the western region need further improvement.

CONCLUSIONS AND SUGGESTIONS

The general law of regional economic development tells us that appropriate adjustment should be made in regional strategies when national and regional economies develop to a certain stage. The strategy of developing the western region proposed at the end of 20th century was of great significance. It is the natural response to the evolution of regional problems, and is one of the important aspects to coordinate regional development. Regrettfully, the regional policies to support the enforcement of the strategy to develop the western region fall short of meeting the demands of the times.

According to the experience of the developed countries, the improvement of the policies to develop the western region needs the establishment of regional administrative agencies with definite rights and obligations, a framework to determine standardized and problem regions, concrete and practicable policy goals, rational selection and a combination of regional policy tools. Therefore, China’s policies of developing the western region need improvement in the above aspects.

Summing up the analysis, we should formulate and implement the future regional policies from the perspective of coordinating regional development, so as to further improve the policies of developing the western region. Therefore, the author tries to make four suggestions: firstly, we should establish a “Regional Administration Commission”, an executive institution under the leadership of the central government. Its duty is to comprehensively weigh and solve the development problems in the problem regions, and coordinate relations among them. Secondly, it is a pressing task to identify standardized
regions and the problem regions so as to fix the coverage of the policies of developing the western region and that of other regional policies. Thirdly, every effort should be made to quantify various regional policy tools so as to optimize the policy itself and help it to win acceptance from the public. Fourthly, we should strive to centralize policy resources to avoid the waste of such resources and the proliferation of contradictions between various departments into those between regions. It is my advice that a unified “Regional Development Fund” be set up, the budget of which is arranged in accordance to a certain standard.

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COMPLEX SOCIAL SYSTEM ISSUE AND PUBLIC POLICY MAKING

During the last few years, with more than 1,000 automobile sales per day and continuously rising vehicle use, Beijing has experienced a serious traffic congestion problem. In July 2003, the oppressive traffic situation in Beijing eventually led to extensive public discussion and debate. In those days, how to reduce or slow traffic congestion became the priority of municipal officials. Special reports were made by television stations, radios, newspapers and websites. Experts and citizens made a great deal of suggestions and proposals. Relevant public sectors also found some solutions to ease the heavy traffic.

During the social debates and the viewpoint conflicts, more and more people realized the complexity of the Beijing traffic congestion issue. Essentially, in our words, the complexity might be attributed to the characteristics of a complex social system issue. Social system means extensive involvement. Traffic congestion is not a simple traffic technique problem. It is related with the issues of city planning, industry development, city and traffic management, public finance, traffic policy, social morals, etc. Complexity mainly comes from the involved groups that have different interests. In this case, the various interest groups include car owners or users, bicycle riders, public transportation passengers, vehicle manufacturers, taxpayers, point constables, etc. No matter how the issue is tackled and what policy is formulated, the redistribution of benefits among those groups would be unavoidable; therefore their participation and acceptance are absolutely necessary.

Despite the unprecedented social participation in the Beijing traffic congestion discussion, Beijing, like other Chinese cities or regions in the beginning of the 21st century still lacks systematic institutions or methodologies to tackle these complex social issues and to formulate just and effective solutions.

The Beijing traffic congestion issue exposed the policy making realities in China. Indeed, we are in a dilemma. On one hand, the traditional sector-based government management which might be effective in the planned-economy era failed to tackle complex social system issues emerging in the market economy, and on the other hand, those policy models and methods mainly introduced from Western, developed and democratic countries can hardly be directly implemented in the Chinese context, considering its different political system and culture.

PUBLIC POLICY MAKING IN THE CHINESE CONTEXT: REALITIES AND CHALLENGES

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China is facing four challenges in public policy making. Some have been disturbing us for a long time, and the others just emerged during the social transition and reform in the recent decade.

**How to promote interest surfacing and how to institutionalize the communication, bargaining and negotiation among competing interest groups**

Since the late 1990s, in the rapid economic development and dramatic social transition, the differentiation of social classes in China has been accelerated and interests conflicts have become widely perceived. The passion of participation and expression of some groups were evoked. During the public policy making process, public debate and discussion become pervasive and policy choices with different interest supports are widely observed. Governments at all levels have also realized the situation. Some measures, such as public hearing, are introduced.

Taking Beijing traffic congestion issue as an illustrative example, there were dozens of opinions and intense interests conflicts. Some suggestions, such as reducing private automobile use by congestion charging, were violently opposed by some groups and aborted before feasibility analysis.

However, unlike those Western countries (such as the U.S.), which have a powerful legislative branch, elected legislators, complicated persuasion systems, public debating and voting traditions, China lacks institutionalized channels or systems for interest surfacing. We have no mechanism for communication, bargaining and negotiation among competing interest groups. In contrast, our legislative branch is no more than a rubber stamp. The so-called representatives lack necessary representativeness. Political participation is not balanced. Some elite groups can easily dominate the decision process, while public voices are seldom heard.

Given the fact that it is very difficult to simply copy Western systems into China in a short time, and the people’s congress system needs at least decades to be perfected, what can we do to solve the problems about equally expressing interests, adequately communicating interests and balancing them against the current political background?

**How to effectively utilize and integrate citizen participation, public opinions, and professional analysis in issue recognition and policy formulation process**

This challenge relates closely with the first one. Though the central and local governments in China have begun to emphasize the roles of experts, media and the mass public in policy making, the participation process is still discursive and unorganized.

In the social debate about the Beijing traffic congestion issue, many positive suggestions hardly gained technical support. The hypotheses and preconditions of viewpoints and opinions, the grounds of arguments were rarely demonstrated and examined. Floodwater-like social wisdom had been diverging rather than converging. Policy makers read a lot, but when they made decisions they had few definite ideas.

In a word, we have few formal channels for public involvement, and lack of channels for hearing and adopting opinions and recommendations from the concerned masses, interest groups and professionals.

**How to add necessary scientific rationality to public policy making**

Complex policy issues often involve extensive data, knowledge and technical skills use. While some Western scholars complained about the overuse of scientific approaches and sophisticated techniques and advocated the phenomenological approach in policy studies, China is confronted with a very different situation. Currently, most policy making in China is still intuition or experience dominated. Decision participators, including most experts, rely heavily on their experience and intuition rather than models and hard data. Policy analyses are basically descriptive and pre-scientific, and debate and inquiry inadequate.
Back to the Beijing traffic congestion issue, private automobile owners argued that they had paid much more taxes and fees than the traffic service deserved, and it was unfair for them to pay more for accessional vehicle license charge and congestion charge. Contrarily, some people argued that the municipal government invested too much on roads and crossroads construction, and the public finance was of more benefit to those having private cars. From the angle of public financing and spending, without professional investigation and analysis, whether the private automobile owners benefited or suffered cannot be decided.

Another example is the comparison among infrastructure investment options - to construct more connection roads between highways, or to develop light rails, or to develop bus rapid transit systems, or an appropriate mix. Without traffic simulation and cost-effectiveness analysis, we can hardly find a good solution.

How to improve policy formulation with systemic consideration of policy implementation

Currently in China, most policies are first developed and formally released by governmental agencies. Policy implementation depends heavily on top-down directions and instructions throughout the bureaucracy system.

As in other countries, the actors in policy formulation in China have interests and appeals of their own, and the target groups often find ways to resist those unfavorable policies. However, what is different is that those involved in policy formulation in China often have unrealistic expectations of an ideal policy implementation environment. Many policy makers ignore the uncertainty of policy implementation, which consequently leads to a well-known phenomenon, i.e., “for every policy from the top, there are unexpected countermeasures at the bottom.”

With the consideration of policy implementation, the vehicle license charging proposal may not work well. Shanghai is a frustrated precedent. Some Shanghai inhabitants flew into the neighboring Jiangsu province for free vehicle licenses after Shanghai released its vehicle license charging policy. Obviously, the effectiveness of the policy was heavily discounted.

Viewed from the “top-down” approach, how to improve policy formulation with systemic consideration of policy implementation is a challenge with Chinese characteristics lasting for a long time.

THE CONCEPT OF A PUBLIC POLICY LABORATORY

The challenges reflect the fundamental defects of the current policy making system of China, which is a legacy of the central planned economy and unified society before the reform and opening-up. The only solution is to reform the political system and to construct a modern democracy system.

However, the reform of the political system and policy-making system is still out of the agenda. Even if put onto the agenda, the reform would very unlikely be completed in a few years. Now there is a question; what should we do before the thorough political reform? Wait? Or seek a remedy, and do what we can do in the real situation?

Establishing a public policy laboratory may be an effective remedy. A Public policy laboratory is a comprehensive experimental environment for policy research. With professional policy analysts, relevant experts, and supporting technical analysts as its major human components, and with role-playing and meta-synthesis of qualitative problem solving skills and quantitative approaches as its methodological guidance, the laboratory provides an open, neutral, human-machine-combined policy research platform for issue understanding and policy formulation via simulating interest gaming and possible non-ideal responses of implementing agencies and target groups. It should be noted that:

First, a public policy laboratory is a policy research platform. It is a remedy for the policy making system as opposed to a substitution.

Second, gaming and role-playing are widely used to simulate the conflicting, debating and inquiring interests in policy formulation as well as policy implementation. The players may be
representatives of stakeholders or affected groups. It is also a good option to let policy analysts assume these roles.

Third, the policy research platform provides or supports various research methods and tools, qualitative or quantitative, including knowledge and experience-based approaches, data collection and analysis tools, and modeling and simulation packages.

Fourth, the laboratory is an open system, with personnel, information and wisdom exchange, bi-directional feedback between the laboratory and the real world.

The public policy laboratory inherits ideas and absorbs nutrition from some theories and practices, including the practice of Think Tanks, Hall for Workshop of Metasynthetic Engineering which is a kind of useful platform for dealing with open, complex, giant systems issues, Political-Military Simulation and Gaming Simulation which advocates role-playing techniques.

A public policy laboratory integrates some theories and practices, but it definitely has its own characteristics. Compared with traditional think tanks and hall for workshop of metasynthetic engineering, which mainly focus on the laws and evolution of objective world, a public policy laboratory still emphasizes the study of interests (which is the essence of public policy), and introduces effective interests study methods, such as role-playing.

A public policy laboratory differs from political-military simulation and gaming simulation by whether the interests gaming situation are explicit or not. In political-military simulation or gaming simulation, the division of interests or game player is very clear in the initialization phase. A public policy laboratory, however, generally determines gaming players after careful interests analysis.

THE ROLES IN POLICY EXPERIMENTS

As mentioned above, a public policy laboratory is an open system. Its constitutional components include humans, hardware and software, data, information and knowledge. Humans are the most important components of the laboratory. Therefore, we focus on the roles in policy experiments (Table 1, Figure 1).

Table 1. Roles in Policy Experiment

<table>
<thead>
<tr>
<th>Roles</th>
<th>Role Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy experiment director</td>
<td>Designer, organizer, and administrator of the experiment</td>
</tr>
<tr>
<td>Gaming players</td>
<td>Players of the role-simulation, representatives of stakeholders and relevant groups, demonstrate and defend different viewpoints and interests respectively</td>
</tr>
<tr>
<td>Policy analysts</td>
<td>Observers and evaluators of the experiment, collect, categorize different interests, positions and proposals, further investigate and evaluate the alternatives</td>
</tr>
<tr>
<td>Subject experts</td>
<td>Provide necessary knowledge and experience involved in the experiment, the guarantee of professional and solid policy research</td>
</tr>
<tr>
<td>Supporting technical analysts</td>
<td>Provide technical services, including data collecting and analysis, modeling and simulation, computing and programming</td>
</tr>
<tr>
<td>Administrative assistants</td>
<td>Administrative staffs</td>
</tr>
</tbody>
</table>
Policy experiment directors, policy analysts, supporting technical analysts and administrative assistants are required to hold neutral positions in policy experiments. The players may remain relatively stable in different experiments. The gaming players and subject experts are temporary roles, which are often chosen and invited from the outside according to the requirement of policy experiments.

5. PUBLIC POLICY EXPERIMENT PROCESS

The experiment process is the core of public policy experiment methodology. Typically, an experiment process consists of eight phases (Figure 2 & Table 2).

It should be noted that the eight phases are not merely a one-way process. In practices, feedback and repetition of the phases is normal (Figure 2).

Policy recommendations are merely a part of the final report of a public policy experiment. The following sections are necessary in the final report, including a comprehensive review of the experiment process, interest conflicts explored in the experiment and proposals for reconciliation, positions, viewpoints and options emerged in the experiment, the strengths and disadvantages of these options, relevant investigation results, analysis and evaluation of grounds of argument, limitations of the experiment, the hypotheses and preconditions of the recommended policies, etc. With the systematic experiment report as reference, policy makers and the public can easily draw their own conclusions.
Experiment programming and designing

Organizing and experiment preparation

Interests and assumptions surfacing and testing

Inventing and investigating alternatives and proposals

Listening, communicating, seeking ways of compromise

Simulating policy implementation

Recommending policy solutions

Experiment reviewing and summarizing

Legend:

→ Experiment Process

→ Feedback or Iteration

Figure 2. Policy Experiment Process
<table>
<thead>
<tr>
<th>Phases</th>
<th>Details of the Phase</th>
<th>Major Participators</th>
<th>Relevant Methods and Theories</th>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment programming and designing</td>
<td>Policy background investigation; outline detailed plan of the experiment</td>
<td>Policy experiment director, policy analysts</td>
<td>Experimental policy research methodology</td>
<td>A detailed plan for experiment</td>
</tr>
<tr>
<td>Organizing &amp; experiment preparation</td>
<td>Determine experiment participators; pre-experiment training, prepare necessary resources</td>
<td>Policy experiment director, policy analysts</td>
<td>Experimental policy research methodology, stakeholder analysis [10]</td>
<td>Everything in readiness</td>
</tr>
<tr>
<td>Interests and assumptions surfacing and testing</td>
<td>Gaming players respectively represent stakeholders and relevant groups, demonstrate and defend different viewpoints and interests; positions gathering and classifying; hypotheses testing and examining; data collecting; casual and effect study</td>
<td>Policy analysts, gaming players, subject experts, supporting technical analysts</td>
<td>Role playing, gaming simulation, strategic assumption surfacing &amp; testing [11], casual studies, data collecting methods, modeling and simulation</td>
<td>Multiple perspectives of the issue, clarified viewpoints</td>
</tr>
<tr>
<td>Inventing and investigating alternatives and proposals</td>
<td>Inventing possible solutions; solutions gathering, classifying and primary filtering; feasibility and cost-effectiveness analysis</td>
<td>Policy analysts, gaming players, subject experts, supporting technical analysts</td>
<td>Brainstorming, systems analysis, qualitative and quantitative methods</td>
<td>Suggested options</td>
</tr>
<tr>
<td>Listening, communicating, seeking ways of compromise</td>
<td>Examine interests impacts of the suggested options; simulated bargaining and negotiation among conflicting groups; determine priority and red lines</td>
<td>Policy experiment director, policy analysts, gaming players</td>
<td>Interests aggregation methods [12], stakeholder Analysis</td>
<td>Balanced interests</td>
</tr>
<tr>
<td>Recommending policy solutions</td>
<td>Combining and improving options; suggesting policies; detail the suggested policies</td>
<td>Policy analysts</td>
<td>Optimization methods</td>
<td>Balanced and optimized policy suggestions</td>
</tr>
<tr>
<td>Simulating policy implementation</td>
<td>Simulating policy implementation; policy improving</td>
<td>Policy analysts, gaming players</td>
<td>Role playing, gaming simulation</td>
<td>Further optimized policy suggestions</td>
</tr>
<tr>
<td>Experiment reviewing and summarizing</td>
<td>Reviewing experiment process and results; communicate with trustors; reports writing</td>
<td>Policy experiment director, policy analysts</td>
<td>Policy experiment reports</td>
<td>Policy experiment reports</td>
</tr>
</tbody>
</table>
THEORETICAL AND PRACTICAL SIGNIFICANCE OF A PUBLIC POLICY LABORATORY

The policy making system of China is facing unique challenges. Problems never observed in daily life are seldom taken into account. Therefore, for many theoretical problems of policy study concerns in China, we can hardly find answers from the theories developed in the West. The public policy laboratory may count for little in Western developed societies, but it deserves study in our country.

The public policy laboratory has multiple benefits. The policy laboratory is a training-research-consulting trinity. It is a vivid and vigorous training base, a high level platform for policy research and policy study, as well as a powerful consultant for governments.

Public policy making in a laboratory will never be equal to the policy making in the reality, yet the public policy laboratory is of great practical significance. First, a public policy laboratory can be regarded as a simulation platform for democratic political systems. With the support of a public policy laboratory, we can have a better understanding of the interests, stakes and constraints involved in policy making.

Second, the public policy laboratory provides us an organized arena for the gaming and adoption of public opinions, professional analyses, and proposals of interest groups. The organizing mechanism of the laboratory is very similar to that of the U.S. congress (Table 3).

Table 3. The Analogy between the Public Policy Laboratory and the U.S. Congress

<table>
<thead>
<tr>
<th>Public Policy Laboratory</th>
<th>U.S Congress(^{[13]})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy experiment director</td>
<td>—</td>
</tr>
<tr>
<td>Gaming players</td>
<td>Senators and Congressmen</td>
</tr>
<tr>
<td>Policy analysts</td>
<td>Committee professional staffs, legislative director or assistant, think tanks</td>
</tr>
<tr>
<td>Subject experts</td>
<td>Committee professional staffs, congressional research service</td>
</tr>
<tr>
<td>Supporting technical analysts</td>
<td>Congressional research service, think tanks</td>
</tr>
<tr>
<td>Administrative assistants</td>
<td>Committee clerical aides, administrative assistant</td>
</tr>
</tbody>
</table>

Third, the debate and inquiry in role-playing, the support from subject experts and supporting technical analysts, as well as widespread use and acceptance of scientific approaches in the laboratory are very helpful for promoting scientific rationality in public policy making.

Finally, via role-playing and simulating the policy implementation environment, the laboratory can accelerate the surfacing of “hidden rules” and effectively improve the feasibility, completeness, and operability of public policies.

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Nanyang Technological University

INTRODUCTION

By any standards, China’s 1994 fiscal reform is not a whimsical action triggered by impractical theory or policy considerations. Rather, the reform was derived from a converging force that came from a number of directions. Looking at the issue from a general perspective, the reform was an adjustment of the relationships between central and local governments, between government and enterprises, and between the state and citizens. This effort was an ongoing process along the line of the grand policy “Reform and Opening to the Outside” stipulated in the Third Plenum of the Eleventh Central Committee in December 1978. The primary purpose of the 1994 fiscal reform was to increase the ratio of government revenue over GDP and the ratio of central government revenue over total government revenue. In short, the 1994 fiscal reform targeted at strengthening the capacity of central government in its macro economic management and coordination.

The initial responses of China’s 1994 fiscal reforms were indeed mixed at best. Most Chinese scholars and practitioners alike kept a cautiously optimistic stance about the fiscal reform design, arguing it was a rational approach targeted at solving a number of policy concerns. Looking at the outcomes of the reforms, however, these scholars and practitioners might feel dismayed since the reforms failed to bring about the expected results. Some local Chinese officials complained that the reforms were a selfish action or a trick played by the central government, putting the local government at an even more difficult fiscal plight. In Western studies, a balanced view of the reforms on the surface, but a sense of suspicion can be identified regarding whether the reform could generate the anticipated outcome (Wang, 1997; Herschler, 1995). Nevertheless, most of these studies were completed within the first few years of the reform effort. After entering the new millenium, the scholarly attention to China’s 1994 fiscal reforms gradually reduced. Given the significant impact of 1994 reforms to the current fiscal system in China, and its vital historical link between the past and the future, the author believes that assessing the reform in an intermediate phase is warranted. This study revisits the issue of China’s 1994 fiscal reform. The next section examines the factors triggering the 1994 fiscal reforms; Section III reveals the contents of the reforms; Section IV shows the accomplishment of the 1994 fiscal reform; and Section V explores the unfinished tasks and the last section proposes some policy recommendations. By and large, the author expects to have different findings compared with previous studies, and these findings should have important policy implications.

FACTORS TRIGGERING THE 1994 FISCAL REFORMS

While many factors co-existed in driving the 1994 fiscal reforms, the primary reason was the decreasing central fiscal capacity demonstrated in two ratios from 1985 to 1992: (1) total government revenue over GDP (TR/GDP); and (2) central government revenue over total government revenue (CR/TR) (see Figure 1).

If we use the comparable prices of GDP from Table 1, which deducted the influence of inflation, we can calculate the average annual GDP growth rate in the fifteen-year period between 1978 and 1993 to be 9.66%. Likewise, we can also calculate the average annual growth rate of government revenue in the
fifteen-year period from 1978 to 1993 to be 3.20%. In this fifteen-year period, while real GDP increased 3.99 times, the real government revenue increased only 1.60 times (both numbers accounted for inflation).

These numbers are revealing. They inform us that while the GDP growth in this period is astonishing, comparable to the growth records of the East Asian economies, the fiscal capacity of the Chinese government was behind the full potential of the GDP increase.

Figure 1: “Two ratios” between 1978 and 2001

Table 1: Government revenue as a percentage of GDP, and the ratios of central and local government revenue to total revenue. (1978-2002)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Revenue at current prices (1 billion yuan)</th>
<th>GDP at current prices (1 billion yuan)</th>
<th>Percentage of Government Revenue to GDP (%)</th>
<th>Central government revenue (1 billion yuan)</th>
<th>Percentage of central Government Revenue to Total revenue (%)</th>
<th>Percentage of local Government Revenue to Total revenue (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>113.23</td>
<td>362.41</td>
<td>31.2</td>
<td>15.5</td>
<td>84.5</td>
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<td>1979</td>
<td>114.64</td>
<td>403.82</td>
<td>28.4</td>
<td>20.2</td>
<td>79.8</td>
<td></td>
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<tr>
<td>1980</td>
<td>115.99</td>
<td>451.78</td>
<td>25.7</td>
<td>24.5</td>
<td>75.5</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>117.58</td>
<td>486.24</td>
<td>24.2</td>
<td>26.5</td>
<td>73.5</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>121.23</td>
<td>529.47</td>
<td>22.9</td>
<td>28.6</td>
<td>71.4</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>136.70</td>
<td>593.45</td>
<td>23.0</td>
<td>35.8</td>
<td>64.2</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>164.29</td>
<td>717.10</td>
<td>22.9</td>
<td>40.5</td>
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<tr>
<td>1985</td>
<td>200.48</td>
<td>896.44</td>
<td>22.4</td>
<td>38.4</td>
<td>61.6</td>
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<tr>
<td>1986</td>
<td>212.20</td>
<td>1020.22</td>
<td>20.8</td>
<td>36.7</td>
<td>63.3</td>
<td></td>
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<tr>
<td>1987</td>
<td>219.94</td>
<td>1196.25</td>
<td>18.4</td>
<td>33.5</td>
<td>66.5</td>
<td></td>
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<tr>
<td>1988</td>
<td>235.72</td>
<td>1492.83</td>
<td>15.8</td>
<td>32.9</td>
<td>67.1</td>
<td></td>
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<tr>
<td>1989</td>
<td>266.49</td>
<td>1690.92</td>
<td>15.8</td>
<td>30.9</td>
<td>69.1</td>
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<td>1990</td>
<td>293.71</td>
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<tr>
<td>1991</td>
<td>314.95</td>
<td>2161.78</td>
<td>14.6</td>
<td>29.8</td>
<td>70.2</td>
<td></td>
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<tr>
<td>1992</td>
<td>348.34</td>
<td>2663.81</td>
<td>13.1</td>
<td></td>
<td>28.1</td>
<td>71.9</td>
</tr>
<tr>
<td>Year</td>
<td>Total Revenue at current prices (1 billion yuan)</td>
<td>GDP at current prices (1 billion yuan)</td>
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<td>Percentage of central Government Revenue to Total revenue (%)</td>
<td>Percentage of local Government Revenue to Total revenue (%)</td>
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<tr>
<td>1993</td>
<td>434.90</td>
<td>3463.44</td>
<td>12.6</td>
<td>95.75</td>
<td>22.0</td>
<td>78.0</td>
</tr>
<tr>
<td>1994</td>
<td>5218.10</td>
<td>4675.94</td>
<td>11.2</td>
<td>290.65</td>
<td>55.7</td>
<td>44.3</td>
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<tr>
<td>1995</td>
<td>624.22</td>
<td>5847.81</td>
<td>10.7</td>
<td>325.66</td>
<td>52.2</td>
<td>47.8</td>
</tr>
<tr>
<td>1996</td>
<td>740.80</td>
<td>6788.46</td>
<td>10.9</td>
<td>366.11</td>
<td>49.4</td>
<td>50.6</td>
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<tr>
<td>1997</td>
<td>8551.14</td>
<td>7446.26</td>
<td>11.6</td>
<td>422.69</td>
<td>48.9</td>
<td>51.1</td>
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<tr>
<td>1998</td>
<td>987.60</td>
<td>7834.52</td>
<td>12.6</td>
<td>489.20</td>
<td>49.5</td>
<td>50.5</td>
</tr>
<tr>
<td>1999</td>
<td>1144.41</td>
<td>8206.75</td>
<td>13.9</td>
<td>584.92</td>
<td>51.1</td>
<td>48.9</td>
</tr>
<tr>
<td>2000</td>
<td>1339.52</td>
<td>8940.36</td>
<td>15.0</td>
<td>698.92</td>
<td>52.2</td>
<td>47.8</td>
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<tr>
<td>2001</td>
<td>1638.60</td>
<td>9593.33</td>
<td>17.1</td>
<td>858.27</td>
<td>59.6</td>
<td>40.4</td>
</tr>
<tr>
<td>2002**</td>
<td>1891.4</td>
<td>10239.8</td>
<td>18.5</td>
<td>1102.0</td>
<td>58.3</td>
<td>41.7</td>
</tr>
<tr>
<td>2003***</td>
<td>2169.1</td>
<td>11669.4</td>
<td>18.6</td>
<td>1246.5</td>
<td>57.5</td>
<td>42.5</td>
</tr>
</tbody>
</table>


The unfortunate result of the decline of the government’s extractive capacity is also vividly demonstrated in Table 1, which exhibits government revenue as a percentage of GDP, as well as the ratios of central and local government revenue to total revenue. From Table 1, we see a straight linear declining trend of government revenue as a percentage of GDP (%), the share of government revenue from close to one third (31.2%) in 1978 all the way down to about one eighth (12.6%) in 1993. Another disquieting trend is the share of central government revenue over the total government revenue, which declines from 40.5% in 1984 to 22.0% in 1993. These figures not only reveal a shrinking share of total government revenue as a percentage of GDP, but also indicate a declining percentage of central government revenue over total revenue. The decline of these two ratios is by no means trivial. Compared to other nations, the ratio of China’s government revenue over GDP is fairly low. In the United States, tax revenue absorbs over 30 percent of GDP, while the government share of GDP in most developed countries is even higher [e.g., shares in 1992: USA: 32.2; Japan: 34.4; UK: 38.8; Canada: 43.1; Western Germany: 45.3; France: 46.1; Sweden: 60.0. Source: OECD, Statistics for Member Countries (June-July 1994)]. The average ratios between central and local revenue receipts in the 1980s are—US is 2.5:1, India 2.8:1, England 5:1, and in China the ratio was 0.43:1 (Herschler, 1995: 240).

To be sure, there is a sound rationale for government to be involved in the activities of economic development and to take a fair share of the GDP. In modern society, government is accountable for a number of functions. According to Musgrave and Musgrave (1989), modern governments’ major functions include allocation, distribution and stabilization. To realize these functions for the benefit of the whole society, fiscal instruments are inevitably crucial. The low share of Chinese government revenue not only worries Chinese policy makers, but also has become a big concern of scholars throughout the globe (Lin, 2000). Bahl and Wallich (1992, p.20) concluded that public service levels are not adequate in all parts of China and the infrastructure gap might become a key problem in the future. Stiglitz (1998) believed that the Chinese government revenue share over GDP is too small compared with other nations and is a big barrier in China accomplishing its blueprint of economic development. Wang (1997) regarded the massive decline of the government’s extractive capacity enfeebled China’s ability to exercise macro control to an alarming extent. With the declining share of government revenue over GDP, especially the declining ratio of central government revenue over total revenue, many Chinese scholars worried about...
the growing regional disparity as well as the general low level of public service providing capacity (Yang and Wei, 1996; Xin, 1998; Xu, 1998).

What then, are the underlying contributors to the decline in government budgetary revenue in China? Lin (2000) identified three primary reasons (lowered corporate tax rates, a small tax base, and tax evasions) that lead to the shrinking share of government revenue over GDP. Wang (1997) argued it was imperative to plug in the five major loopholes (tax evasion, tax reductions and exemptions, tax arrears, extra-budgetary funds and extra-extra-budgetary funds) in order to arrest the two ratios from further decline. While their arguments are meaningful and are accountable for at least part of the underlying causes, the fundamental problem should be examined at a deeper level. My argument is along the line of reform designers, who regard the institutional arrangement of China’s previous fiscal system as the root of flaw that resulted in the decline of the two ratios. With this in mind, we now briefly examine the fiscal relationship between the center and locality before the 1994 reform.

As we know, China’s economy was a centrally controlled planned system in the Mao era (1949-1976). At that time governments at various levels not only owned the corresponding enterprises, but also were involved in enterprise management from plan, production, purchase and sale, as well as in fixing prices of materials and final products. The relationship between central and local governments is much like a pendulum swinging between centralization and decentralization trends, reflecting the domestic management needs of political control at the top versus regional economic development at the bottom locality (Straussman and Zhang, 2001). The fiscal division of power fluctuated along the different periods of PRC’s history and became an enduring topic of research and real politics. The centralized fiscal system featured in Mao’s era was inconsistent with the market-oriented reforms beginning in 1978. At least three factors caused the changes in China’s fiscal system. The first is the rapid growth of non-state-owned enterprises: township and village enterprises, joint ventures, and private businesses. Second, accompanied by the growth of local political power, it is natural for local governments to require a commensurate decision-making power in the fiscal aspect. Third, only a decentralized fiscal system could stimulate local government in collecting revenue and promoting economic growth (Lin and Liu, 2000).

The overall economic reform embarked on in the late 1970s was oriented toward the benefit of lower sub-national governments by means of “playing to the provinces” (Shirk, 1993). In the process, the center has lost, at least partially, its capacity to control the government below it (Wang, 1994). The central-local balance of power has undergone an unprecedented and irreversible tilt toward the province, and even to the levels beneath the provinces (Zhang, 2002).

At least four types/phases of fiscal arrangement can be distinguished from 1979 to 1993 (Lin, 2000). They are: Allow State Enterprises to Keep Some Profits (fang quan rang li); Substitute Taxes for Profit (li gai shui); the Contract Responsibility System (bao gan zhi) and the Tax Plus Profit system (li shui fen liu). A consequence of these fiscal reform efforts was the decline of “two ratios.” How did this happen? An open secret is the conspiracy of local governments with enterprises at the expense of the central coffer. Before 1994, revenue and/or tax were collected by the local governments first and then submitted to the central government. Afterwards, the central government returned a share (according to a formula agreed upon by both sides) to the local governments. Most local governments frequently failed to realize its full potential in collecting all the possible money and then submitting the revenue to the center. Rather, they play games with the central government. The local governments would rather collect much less money from enterprises in each jurisdiction and ask these enterprises to contribute (in various format) part of the money to the local governments’ extra-budgetary accounts or let these enterprises “voluntarily” provide local public services, which are the responsibility of the local governments, such as paving roads or building bridges or tunnels. Local governments often offer incentives to allure new enterprises in each territory by granting tax exemption and deduction. These maneuvers and tricks have benefited both the local governments and the enterprises, but have caused a heavy loss for the central treasure.

The above theory of conspiracy between local governments and enterprises had found widespread market before the 1994 fiscal reforms. Although the practice was pervasive, empirical evidence was hard to collect. Fortunately, the 1994 fiscal reforms provided a golden opportunity to test the “Conspiracy
The revenue base. To ensure that every province would agree to and implement the 1994 fiscal reform policies, the interests of provinces could not be jeopardized. At least the previous provincial fiscal revenue level should be guaranteed. Initially, 1992 had been selected as the base year by the standing Committee of the Politburo. However, due to high pressure from coastal provinces, especially Guangdong, the center decided to use 1993 instead as the base year. When local governments learned this in late September of 1993, there was a collection fever over the country. For the remaining three months in 1993, local fiscal performance rocketed. “Some local governments collected arrears of taxes, some urged local banks to make loans to enterprises so that they would be able to pay such arrears, and some even collected 1994 taxes in advance” (Wang, 1997: 811). 1993 local tax collection was 28.3% higher than the budgeted number and 39.9% higher than 1992 (Wang, 1997). This story suggests that local governments do have the capacity to collect more taxes but lacked the interest to do so in previous years. How to harness and constrain the fiscal power of locality to benefit both the central and local coffers became the central concern of new institutional design in the upcoming fiscal reform.

MAJOR CONTENTS OF THE 1994 FISCAL REFORM

What is China’s 1994 fiscal reform? In short, this is an umbrella term accommodating a wide range of files and contents. To different observers and commentators, the 1994 reform may have various connotations. The reform efforts were widely called “fiscal reform,” “tax reform,” “tax-assignment reform or “tax-sharing reform.” This confusion may derive from a number of reform regulations enacted by the end of 1993 which relate to fiscal and tax systems. According to Jia (2000), within the first one hundred days of 1994, there were about 80 documents issued by fiscal or tax authorities as well as the State Council. Each added complementary regulations or adjustment to solve the imminent and prominent problems of tax related policy concerns. The chief official document, we believe, is Decisions on Implementing Tax-sharing Fiscal Management System, issued by the State Council (1993). The file was issued on December 15 of 1993, to be carried out immediately from the first day of 1994.

In short, the 1994 fiscal reform contains the following major contents.

1. Tax Division. Unlike the pre-1994 fiscal system where - the revenue amount was usually negotiated between the center and each province on a one-by-one basis, the new design unified the tax division and formed three parts: central tax, local tax and shared tax (see table 2). By doing so, tax obligation was expected to be transparent, transaction cost greatly reduced or eliminated, and horizon equality realized among the provinces or province-level units.

2. Fiscal Administration. Pre-1994, there was no branch of State Tax Service (STS) at sub-national governments and the central treasury relied on local fiscal departments to collect and submit revenues first, and then a portion was returned to the locality. As we showed in section 2, local governments usually utilized this mechanism to play games with the center to the benefit of the locality. The 1994 fiscal reform established the central government’s own branch of tax bureaus within local governments, creating two parallel line tax systems: a national system for central taxes and a local system for local taxes. Shared taxes were collected by the local branches of STS first, and then the proceeds were split between the center and sub-national governments according to the agreed-upon formula. The downward-sharing mechanism is essential in preventing the previous local abuses. As we will see later, the sharing direction is by no means insignificant.

3. Tax Rates Standardized and Tax Types Simplified. Before 1994, the tax rates and types were very complicated. First, different enterprise ownerships [state, collective, private, township and village enterprises (TVE), foreign-invested enterprises (FIEs), foreign enterprises (FEs)] enjoy different tax rates. Special Economic Zones (SEZ) and some coastal cities had preferential tax policies. Many local governments also enacted a number of preferential tax policies to attract investment for local economic
development. Additionally, different industries might have different available tax treatment. The 1994 fiscal reform unified the enterprise income tax rates to be 33%, regardless of state, collective, TVE, or private ownerships. For joint ventures, the initial plan was that the unification income tax rates would be implemented in a longer term, when the current agreement of preferential tax policies phased out. However, the Asian financial crisis had postponed the implementation of such a plan (Lin, 2001). For tax types, the old 32 tax types (except tariff and agricultural taxes) would be reduced to 18 (Xu and Zhang, 2001). One of the motivations behind the segregated tax rates was to curb the growth of private enterprises and to meet the government’s special economic policies (Lin, 2001). The logic of 1994 fiscal reform is obvious – the tax burden among different types of enterprise should be equal. With the anticipated entry of WTO, the joint ventures also should stand in the same footing as the domestic enterprises.

Table 2: Tax Shares of 1994 Tax Reform

<table>
<thead>
<tr>
<th>Central Taxes</th>
</tr>
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<tbody>
<tr>
<td>• Tariffs</td>
</tr>
<tr>
<td>• Consumption tax and Value-added tax collected by customs.</td>
</tr>
<tr>
<td>• Consumption tax</td>
</tr>
<tr>
<td>• Income tax of central enterprises</td>
</tr>
<tr>
<td>• Income tax from financial enterprises which have obtained business license from the People’s bank of China</td>
</tr>
<tr>
<td>• Tax on revenues turned in by railways, banks and insurance companies</td>
</tr>
<tr>
<td>• Offshore oil resource taxes</td>
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<tr>
<td>Local Taxes</td>
</tr>
<tr>
<td>• Business tax (exclude that turned in by banks, railways and insurance companies)</td>
</tr>
<tr>
<td>• Income tax from local enterprises</td>
</tr>
<tr>
<td>• Personal income tax</td>
</tr>
<tr>
<td>• Urban land use tax</td>
</tr>
<tr>
<td>• Adjustment tax on fixed asset investment direction</td>
</tr>
<tr>
<td>• Urban maintain and construction tax (exclude that turned in by banks, railways and insurance companies)</td>
</tr>
<tr>
<td>• Real Estate duty</td>
</tr>
<tr>
<td>• Tax on vehicle and boat license</td>
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<tr>
<td>• Stamp duty</td>
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<tr>
<td>• Laughter tax</td>
</tr>
<tr>
<td>• Agricultural and husbandry tax</td>
</tr>
<tr>
<td>• Agricultural tax levied on special products</td>
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<td>• Occupation tax on cultivated land</td>
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<td>• Contract tax</td>
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<tr>
<td>• Inheritance and gifts tax</td>
</tr>
<tr>
<td>• Land appreciation tax</td>
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<tr>
<td>• Income tax on rented state land</td>
</tr>
<tr>
<td>Shared Taxes</td>
</tr>
<tr>
<td>• Value-added tax: central government (75%) and local government (25%)</td>
</tr>
<tr>
<td>• Stock transactions gains tax: central government (50%) and local government (50%)</td>
</tr>
<tr>
<td>• Resource tax other than offshore oil resource tax: mostly to local government</td>
</tr>
</tbody>
</table>

4. Tax Exemptions and Deductions. Pre-1994, local governments frequently used tax exemptions and deductions to attract new investment and also conspire with enterprises by granting tax breaks. The net effect was the weakening central coffer and decreased local budgetary revenues. As explained in Section II, the central government is the loser in this game of conspiracy, while the local government is the winner with more money to use at its own discretion. From the perspective of the central government, there is an efficiency loss of taxable revenue. From the view of the society in general, the consequence of conspiracy behavior is more extra-budgetary fund and even extra-extra-budgetary fund collected by the local governments, leading to redundant industry and economic construction and increased cases of corruption (Holzer and Zhang, 2004). The 1994 fiscal reform provided tax exemption and reduction authority back to the central government, explicitly regulating that no further tax holidays or breaks can be granted by any local governments. But for the consistency of policy implementation and the credibility of local governments, the previously contracted tax exemptions and deductions would be implemented until the end of 1995.

The aforementioned four aspects are only part of the important 1994 fiscal reform design. The 1994 fiscal reform was not a minor effort in tinkering with the old fiscal system, but rather a comprehensive overhaul for shuffling the entirety of the institutional arrangement between the center and the locality associated with a division of tax jurisdiction and authority. The 1994 fiscal reform also targeted an equal tax-burden effort for different business ownership or types. Facing a dilemma of increasing pressure of rising demand for the thirsting expenditure of providing public service, while seeing a shrinking piece of pie in central revenue year by year, the central government made a grand resolution to fight back. A clear goal of China’s 1994 fiscal reform was to make the government revenue cake bigger, with a larger share by the central government (The State Council, 1993). The next section examines whether such expectations can be accomplished.

THE ACCOMPLISHMENT OF THE 1994 FISCAL REFORM

Almost ten years have passed since the introduction of China’s 1994 fiscal reform and it appears to be an appropriate time now to assess the intermediate effect of the institutional design of the reforms. An unavoidable grand question to ask is whether the fiscal reform has brought about the effects the reformers expected. To be more specific, whether the government revenue has increased as a percentage of GDP (the first ratio) and whether the central government revenue increased over the total government revenue (the second ratio).

To answer these two specific questions, we need to examine Table 1 carefully. In the period from 1993 to 1998, the first ratio (government revenue over GDP) decreased in the first two years (from 12.6% in 1993 to 10.7% in 1995) and then slightly increased in the next three years (from 10.7% in 1995 to 12.6 in 1998). These unimpressive records probably serve as the basis for many early unsatisfactory observers and commentators who concluded that the 1994 fiscal reform is not a success, or at least not a big one (Lin, 2000; Wang, 1997; Herschler, 1995). For the second ratio, central government revenue over government revenue, the effect was immediately shown. The ratio of central government revenue over government revenue jumped forward from 22.0% in 1993 to 55.7% in 1994, and then declined to 49.5% in 1998. The leap of the second ratio is more like a two-sided coin depending upon the interpretation, rather than the absolute truth. On the optimistic side, the increased ratio was close to the expectation number (60%) that reform designers had desired; on the pessimistic side, the increased share of the central government revenue was no more than nominal. We will come back to review this last point in section V.

Nevertheless, the policy designers of the 1994 fiscal reform were not short-sighted. Their focus aimed at a long-term institutional rational-approach. As the Vice-Director of the State Tax Bureau noted in 1995, “The policy changes of the central government follows the principle of incrementalism philosophy. What concerns the central government is the reform of institutional mechanism, not the gain or loss in the short run” (Xu and Zhang, 2001). Its effect would emerge in a longer scope. The share of
the total government revenue over GDP increased from 12.6% in 1993 to 18.5% in 2002. While the average GDP growth rate was 8.96% (excluding the influence of inflation) from 1993 to 2001, the average growth rate of total government revenue, excluding the influence of inflation, was 13.2% in the same period, which surpasses the GDP growth rate an average of 4.24% each year. Using 1993 as the base year, the average growth rate of central revenue was 26.2% from 1993 to 2001, while the growth rate of average local revenue was 6.46%. The change from 1993 to 1994 may have been too sudden to be indicative. Thus a better reference point was to use 1994 as base year. By doing so, the growth rate of central revenue was 14.23% from 1994 to 2001, while the local revenue growth rate was 16.44% in the same period. These numbers are meaningful and indicative. First, average total government revenue growth rate far surpassed average growth rate of GDP from 1993 to 2001, suggesting a consistent behavior of great efforts in collecting tax revenues by the government. Second, using 1994 as the base year, we found an amazing average growth rate of both central government revenue (14.23%) and local government revenue (16.44%) from 1994 to 2001, suggesting that tax collectors at both central and local levels worked hard to achieve the policy goals. These two groups of numbers (the average GDP growth rate and the average growth rate of total government revenue) are reminiscent of the counterparts from 1978 to 1993, whenever the GDP growth rate was 9.66% while the growth rate of total government revenue was only 3.2%.

Although many converging factors were at work in driving the first ratio (the government revenue over GDP) up from 12.6% in 1993 to 18.5% in 2002, we have to acknowledge that the primary source of this success was the institutional design of the 1994 fiscal reforms. The high growth rates of both central government revenue and local government revenue from 1994 to 2001 reveal that incentives of both the center and the locality were consistently boosted. The central government’s share as a percentage of total revenue from 22.0% in 1993 increased to 59.6% in 2001, suggesting a promising prospect in approaching the original policy objectives (60% for the second ratio). Although some may argue that the increase of the central governmental revenue is only nominal, not much revenue would be left after deducting the center’s refund to provinces and fiscal transfer to poor provinces (Wang, 1997; Lee, 2000), and it is at least politically significant even if it is nominal. Before 1994, the central government had to rely on local government to submit revenue. Now local governments must rely on central government to return revenue or fiscal transfer. This change from bottom-up to top-down suggests a leader—follower game which is beneficial in strengthening the macro coordination and control capacity of the central government (Hu, 1997; Xu and Zhang, 2001).

The chief accomplishment of the 1994 fiscal reforms was the consistent and rapid growth of government revenue. However, this achievement should not overshadow the reform results in other aspects. As an institutional overhaul of 1994 fiscal reforms, the real effect surpassed the expectations of some reform designers (Xu and Zhang, 2001). In addition to the government revenue surge, the performance of 1994 fiscal reform was mainly manifested in the adjustment of the following three pairs of relationship. They are: government-enterprise, central-local governments and State-citizen. The traditional relationship before 1994 between government and enterprises was more featured by administrative instruments than by economic means. Governments at different levels frequently negotiated with enterprises for the profits to be submitted. The contract responsibility system was a product of such a mechanism, but even after quota was mutually agreed, government often changed the rules of the game in its favor. This situation also caused the conspiracy of local governments with enterprise at a loss to the central treasury. Uncertainty, unpredictability and arbitrariness were the characteristics of the old system. Since 1994, the government-enterprise relationship has been much more rule-based. Enterprises, irrespective of its size, types and ownership, pay taxes to the governments according to the corresponding tax law, rules and regulations. Tax burdens were unified at 33% income tax rate for every enterprise. Tax types were simplified from the previous 32 types to the current 18. Now, the norm is certainty and predictability for the relationship between government and enterprise.
For the relationship between central and local governments, the 1994 fiscal reform had greatly enhanced the transparency and normality of fiscal allocation. In the years since 1978, central-local fiscal relation was subjected to frequent negotiation, in which mechanism lacked either transparency or equity among the peer provinces. As evidence shows, the center had been willing and capable to regulate the provincial fiscal autonomy according to central preference (Chung, 1995). The 1994 fiscal reforms tried to rationalize the division of fiscal authority between center and locality, making the relationship more rule-based.

As for the relationship between the State and citizen, the focus was also on the rule of law. The amended Act of Personal Income Tax of PRC was promulgated in October 31 of 1993, to be effective on January 1, 1994. For wages and salary, there are nine grades of progressive tax rates from 5% to 45%. For individually owned business, the income tax follows five grades of progressive tax rates from 5% to 35% (Jia, 2000). Some of the previous illegitimate regulations were abolished (Xu and Zhang, 2001). The outcome of adjusting the relationship between the State and citizen was not so illuminative, and the impact had to wait an even longer term.

There are other accomplishments such as the containment of the rocketing inflation rates from late 1992 and the reduced tax burden for enterprises demonstrated from empirical study (Xu and Zhang, 2001). The 1994 fiscal reform, as with any other reform crusade, was not perfect. With this point in mind, we now turn to the unfinished business.

**REMAINING PROBLEMS OF CHINESE FISCAL REFORMS**

The 1994 fiscal reform was a big remedial operation targeted to the problems of the old system. An action of such large scale cannot be expected to be perfect. It is nevertheless an ongoing process to complement the institutional design and to solve the newly emerging problems. “Trial and error” and “touching the stone to cross the river” that had guided Chinese reforms since 1978 were also in some sense applicable to the field of Chinese fiscal reform. Yet, pragmatic pressure and theoretical concerns had raised many questions that were not well addressed by the 1994 reform design or implementation. The following is only a simplified sketch of the problems to be dealt with by the policy makers and administrators.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Central Fiscal Revenue (1)</th>
<th>National Fiscal Revenue (2)</th>
<th>(1)/(2)%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>141.16</td>
<td>423.00</td>
<td>33.37</td>
</tr>
<tr>
<td>1993</td>
<td>148.81</td>
<td>513.22</td>
<td>28.99</td>
</tr>
<tr>
<td>1994</td>
<td>161.64</td>
<td>605.55</td>
<td>26.69</td>
</tr>
<tr>
<td>1995</td>
<td>194.42</td>
<td>711.98</td>
<td>27.31</td>
</tr>
<tr>
<td>1996</td>
<td>244.16</td>
<td>857.28</td>
<td>28.48</td>
</tr>
<tr>
<td>1997</td>
<td>262.48</td>
<td>957.46</td>
<td>27.41</td>
</tr>
<tr>
<td>1998</td>
<td>267.85</td>
<td>1064.57</td>
<td>25.16</td>
</tr>
</tbody>
</table>

Notes:
Net Central Fiscal Revenue = Central Fiscal Revenue-Transfers from center to localities
+ Transfers from Localities to center.
To follow the definition of fiscal revenue in the International Monetary Fund’s Government Finance Statistics, China’s fiscal revenues are adjusted by including all the negative revenues such as subsidies to loss-making state-owned enterprises and export rebates.
(Sources: Lee, 2000)
First, although the central government’s share as a percentage of total revenue increased from 22.0% in 1993 to 59.6% in 2001, there were widespread concerns that the central government’s disposable revenue was too low (Wang, 1997; Lee, 2000). Indeed, as our discussion in Section IV suggests, this is a “two-edged sword” depending upon how we view and interpret the issue. If the central revenue is defined as central collection plus local remittance and then minus central refunds and subsidies to the provinces, the percentage of central government’s revenue was fairly low (1994: 26.0; 1995: 30.2; 1996: 20.9; 1997: 22.0) (Wang, 1997: 812). According to the data from Lee (2000), there was also a slight decline of net central government revenue over national fiscal revenue from 1992 to 1998 (Table 3).

Second, the division of fiscal authority between the center and the locality should be first conducted on the analysis of expenditure need at each level of government. However, the 1994 fiscal reform, as previous similar efforts, focused on the side of revenue first, leaving the question of “who should be responsible for what” blurred. This ambiguity created the problem of ad hoc directives from the center to require local expenditure. These un-funded mandates frequently turned out to be an extra burden to the locality, a phenomenon popularly called “center hosted banquet but paid from local pocket.”

Third, the 1994 reforms had kept too many vestiges of the old system, such as the four concessions of the center to the locality. These vestiges served well to smoothen the transition from the old system to the new one, but also complicated the implementation of the reform design and therefore postponed the effect.

Fourth, a rational approach of reform should clearly demarcate the boundary of fiscal authority between the center and the locality. Unfortunately, the 1994 reforms did not prohibit the center’s arbitrary behavior. Given the long time earned reputation of not abiding by the rules by the center (Chung, 1995; Herschler, 1995), there was no reason for the sub-national government not to act opportunistically. For example, Wuhan City Tax Bureau circulated an “internal document” with 120 provisions that authorized tax exemptions or deductions for local enterprises, suggesting that some local governments continued to play games with the center (Herschler, 1995).

Fifth, the central government claimed virtually all the tax authority in the 1994 fiscal reform. In addition to the tax exemption and deduction rights no longer available to the locality, sub-national governments still have no rights in deciding tax rate, determining tax base or levying new taxes. The formally enfeebled local government thus has to continue to seek the informal ways for increasing revenue, instruments such as collecting extra-budgetary fund and extra-extra-budgetary fund are sometimes illegitimate, but often a possible choice for the local governments.

Sixth, inter-government transfer is not rational or typical according to the international practice. Current government transfer in China includes two parts. The first is the refund to each province to ensure the revenue of the previous year is guaranteed. The second part is the fiscal transfer from the center to poor provinces (or province level units) to reduce the gap between rich and poor provinces. Critics believe that the refund enlarged rather than decreased the gap between rich and poor provinces, and the second part fiscal transfer lacks a clear formula for deciding “who gets what.”

Seventh, since the tax-sharing system between the center and the provinces is far from complete, and the tax-sharing system between local governments (government levels lower than the province level) and provinces leaves much to be desired (Zhang, 2000; Yan, 2001; Yu, 1998).

Eighth, the fiscal reforms of 1994 did not have particular measures to address the issues of extra-budgetary funds (EBFs) and extra-extra-budgetary funds (EEBFs) that had long plagued the central government. Simply stated, EBFs were incomes collected and expended by government agencies and quasi-governments (such as service institutions). Although these funds are on the budgeted books, they are beyond the reach of fiscal departments of either central or local governments. For the EEBFs which came from ad hoc charges, unauthorized fees, involuntary “contributions” and so forth, they are even not reported to fiscal departments at every level of government (Holzer and Zhang, 2004).

Ninth, it is necessary to coordinate the tax behavior by the local branches of State Tax Bureau (STB) and local tax bureaus. Some enterprises face the problem of multi-head tax management since both the local branches of STB and local tax bureaus are collecting their tax, while in some other domains, “who is in charge of what” is not quite clear (Xu, 1998). As for the tax administrators in the
local branches of STB, they have to be loyal to both their bosses at a higher level of STB offices and the local government officials. This double allegiance does not always work together and sometimes presents problems and conflicts.

Tenth, the income tax of SOEs is collected by the separate division of affiliation of central and local governments respectively. The concept of what enterprises belong to what level of government is a barrier to the establishment of a real modern enterprise system (Xu, 1998). The different affiliations of enterprises also encourage the local protectionism and create a number of problems.

Eleventh, there are wide gaps between different regions and with the tax policies applied to the domestic and international enterprises. This is not conducive to fair competition of enterprise and regions. When the fiscal reform system was introduced in 1994, the government authorized tax refunds to foreign invested enterprises (FIEs) and foreign enterprises (FEs) established before 1994 and located in special economic zones (SEZs). This preferential policy was initially granted for a five-year period, yet later extended to 10 years in some zones. Preferential tax policies expired for 10 of China’s 44 SEZs by the end of 1999 and were not renewed. The rest of the SEZs would phase out their preferential treatment by the end of 2003 so that an “even playing field” would be established (East Asian Executive Reports, 1998).

Twelfth, the significance of the implementation of the rule of law in the area of tax collection cannot be overstated. In the period after the 1994’s fiscal reforms, tax evasion, tax arrears and tax cheating were still serious. How to rigorously implement the rule of law not only attracted scholars (Wang, 1997; Herschler, 1995; Hu, 1996; Jia, 1999, 2000), but was also emphasized by China’s financial minister in recent years (Jin, 2004; Xiang, 2001; 2002; 2003).

CONCLUDING REMARKS: POLICY IMPLICATIONS FOR IMPROVING CHINA’S FISCAL SYSTEM

Overall, the power of China’s 1994 fiscal reforms has been demonstrated over time. The chief accomplishment is the increase in the government’s total revenue over the GDP, making a growing bigger cake of fiscal revenue. This and other achievements are mainly attributable to the institutional redesign of China’s central-local relationship, as well as State-enterprise relationship. Viewing the fiscal reforms of 1994 through a longer lens, this author concludes a far more positive assessment than most of the previous studies have shown. The success of the 1994 reforms does not suggest that the main tasks in the financial arena have been completed. Rather, the reform process has raised more questions than it has addressed. At least, twelve aspects of unsolved questions have been identified in the last section. To solve these questions and others that might appear at any moment in the transition era of reform, we have to rely on the rule of law and an alignment to the international standards. Market orientation, democratic means and rational approach could offer important clues for most of the reform efforts.

Regarding the question of central revenue share, what amount is appropriate for the disposable revenue? We need to seek the answer from two sources. First, what is the international standard for the share of central government revenue over the total government revenue? Do other countries have as great of a variance of revenue share between central and local government according to different stages of economic development? And what country is a good model for China to follow, if there is really one? What is the appropriate division of expenditure between central and local government? Only when it is decided what functions should be the responsibility of central government and local government, can we approximately calculate what reasonable percentage of national revenue should go for central government’s expenditure. Apparently, China is still on the long way to locate an optimal point to divide the responsibility between central and local governments for offering public service, and between State and society for which part is the domain of the government. Certain public services urgently needed by the society have not been adequately provided by the government, such as environmental protection, while in some other areas such as profit making business, government still stretches a hand. Marching on the way toward market economy, China has a lot to learn from matured systems and its own lessons.
As an authoritarian state, the 1994 reform did not constrain the power of central government, which endangers the efforts in mobilizing local enthusiasm, especially encouraging local governments to take advantage of any policy loopholes. With the frequent reversal of central policies penalizing those who did not take advantage of the center’s moves, the lack of a constitutionally-guaranteed framework in marking the power line between center and locality presents a big problem of the local’s confidence to the center (Jia and Lin, 1994). A case in point is the issue of taxing legislative power by the local authority. The 1994 fiscal reforms almost do not touch the issue, but simply take the tax exemption and reduction power away from the hands of local government officials. The sub-national governments have so far been lacking the power to decide tax base, tax rates and levy new taxes. China is a huge country with a territory bigger than that of the USA and a population accounting for one fifth of the world population. The lack of tax legislative authority provides a power disadvantage to local government in meeting the demand of local public service. More often than not, the local governments have to explore other channels for revenue, such as the EBFs and EEFs which are sometimes illegitimate. My recommendation is that China should allow provincial and city level government legislative power to decide local tax base, tax rates and to levy new taxes, though this power should be vested in the local legislature—People’s Congress at provincial and city levels.

For EBFs and EEFs, most of them should be converted to the budgetary fund in the management of each level of financial department. The government should have strict laws, rules and regulations to complete the transition within a given period. In doing so, the government revenue can be further boosted and the problems of EBFs and EEFs eliminated, but a pre-condition is to grant local legislatures the power to enact local tax rules.

Additionally, law enforcement should be strengthened. Otherwise these unimplemented cases become demonstrable samples for others to follow, further weakening the fiscal capacity of government. In the past, tax evasion, tax arrears and tax cheating frequently came into the lexicon of fiscal management. This situation should be reversed to collect the revenue that the society so urgently needs.

In 2002, total tax revenue was 1700.4 billion RMB yuan in China.¹ The biggest contributor was State-Owned Enterprise (536.17 billion yuan, about 32.2% of the total). Other contributors to the revenue were: Stock-Share Companies (435.52 billion yuan), Joint Venture and Foreign Enterprises (348.71 billion yuan), Individual Businesses (100.49 billion yuan), Private Enterprises (94.56 billion yuan) and Collective Enterprises (92.94 billion yuan). Among these contributors, the share of State-Owned Enterprises had decreased from 55.2% in 1998 to 32.2% in 2002. The average revenue growth rate for the Stock-Share Enterprises was 59.5% from 1998 to 2002 (http://chanye.finance.sina.com.cn/cs/2003-05-14/165365.shtml, access on April 24, 2004). These numbers indicate a changing structure of China’s enterprises and the sources of the government revenue.

In summary, 1994 fiscal reform in China was only a part of the reform efforts initiated since 1978. Under a broader backdrop of China’s transition from traditional planned economy to socialist market economy and from rule by man to rule of law, a lot of changes have been occurring in virtually every corner of the Chinese society. In the process, administrative reforms have consistently adjusted and reoriented the governmental functions and the roles government played in the society. Enterprise reform has witnessed the restructuring of enterprise composition, leading to the rapid growth of non-state owned businesses. Political reform has brought about the changes that resulted in a more democratic way of organizational life. For the relationship between state and citizen, the current reforms represent a paradigm shift from the old state-centered governance toward new citizen-centered governance which would benefit for all sectors of Chinese society (Zhang and Zhang, 2001). In this perspective, the fiscal

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¹ The number 1700.4 billion RMB yuan in China in 2002 is an estimate based on the data provided in the text.
reform is not an isolated arena. Rather, fiscal reforms are driving engines for the change of the other parts of the society, and in the meantime, it is shaped by the ideology of contemporary society. As the current catchwords indicate, the fiscal reforms have to “keep pace with time.”

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NOTES

1. This perspective is obtained from an interview with local public finance officials from Hubei province.
2. The growth rate of GDP or government revenues were calculated by the author, all growth rates deducted the influence of inflation.
3. The number of government revenue cited here was different from the revenue reported by Mr. Huaicheng Xuang, the Minister of Finance Department

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Government Financial Management
Leadership by Example:
Do as I Say and As I Do

Flora H. Milans
Senior Manager
Clifton Gunderson LLP

INTRODUCTION

Have you ever received advice from someone not only unqualified to give the advice, but also a poor representative of what the advice would have you do? That type of situation can be characterized as, “Do as I say, not as I do.” The phrase is sometimes used as a response when the listener confronts the adviser with the discrepancy in his or her behavior and the advice.

BACKGROUND

While private sector and non-profit organizations set the U.S. private sector accounting standards, the U.S. federal government has influenced the private sector’s financial reporting. The Internal Revenue Service (IRS) may be the first federal agency to request financial information from its citizens. In 1862, Congress created the Commissioner of Internal Revenue and enacted an income tax to pay Civil War expenses.² The Federal Reserve System was founded in 1913 as the U.S. central bank, to provide the nation with a safe, flexible and stable monetary and financial system.³ Following the stock market crash of 1929, Congress created the Securities and Exchange Commission (SEC) to protect investors and maintain the integrity of the securities markets.⁴ The SEC established a financial reporting system for publicly traded firms, requiring companies to file financial statements before offering securities to the public. The Federal Deposit Insurance Corporation was created in 1933 to maintain the stability and public confidence in the nation’s banking system.⁵ The Commodity Futures Trading Commission was created by Congress in 1974 to regulate commodity futures and option markets in the United States.⁶

The Federal Energy Regulatory Commission (FERC) was created in 1977 as an independent regulatory agency within the Department of Energy. It oversees U.S. electric utilities, natural gas companies, hydroelectric projects and oil pipelines involved in interstate commerce. FERC inherited most of the regulatory functions performed by the Federal Power Commission, its predecessor, which had been operating since 1920.⁶ As part of its regulatory functions, FERC administers accounting and financial reporting regulations pertaining to regulated companies.⁸ The list is not exhaustive; many other federal agencies regulate the private sector. The agencies cited, however, are among those agencies that have an impact on the private sector’s financial management and reporting activities and should demonstrate financial management leadership to set an example of excellence in accountability.

⁴ http://www.sec.gov/about/whatwedo.shtml.
⁷ http://www.ferc.gov/about/ferc-does.asp.
Recently, private sector companies and even some nonprofit organizations have been involved in financial scandals. One need only pick up a newspaper to read of companies that have concealed their true financial status through complicated financial relationships and transactions or have diverted assets inappropriately. And where were the independent auditors through all of this? A major public accounting firm was dissolved, in part because it was found guilty of obstructing justice in an investigation related to its audit of a company involved in a financial scandal. It also was noted that the accounting firm received large fees for providing consulting services to the client and this may have contributed to an appearance of a lack of independence for its auditors.

Congress responded to the scandals by enacting the Sarbanes-Oxley Act of 2002. The Act, among other things, established the Public Company Accounting Oversight Board (PCAOB) to set standards for public accounting firms and enforce the standards. The SEC has oversight and enforcement authority over the PCAOB. The Sarbanes-Oxley Act prohibits public accounting firms from providing non-audit services contemporaneously with the audit. It also requires the Chief Executive Officer and Chief Financial Officer (CFO) to certify that the financial statements and disclosures present fairly, in all material respects, the operations and financial condition of the issuer. Further, it requires each annual report to include management’s assessment of the company’s internal controls.

The federal government also revised its audit standards to require auditors of federal programs and financial statements to be independent. In January 2002, the Comptroller General of the U.S. General Accounting Office (GAO) announced changes to the auditor independence requirements under Government Auditing Standards. The new standard for non-audit services was based on two overarching principles:

- Auditors should not perform management functions or make management decisions; and
- Auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

As a result, the rules were changed for both private and public sector audits to help ensure the independence of the auditors. However, more needs to be done. While regulatory revisions are a good first step, the federal government also needs to increase its efforts to set a good example, especially those agencies that regulate the private sector’s financial management activities.

PURPOSE

This paper will explore the status of U.S. federal financial management, with emphasis on U.S. agencies that regulate the private sector’s financial management. It will identify progress made, and where further improvements are needed in order to set an example of financial management excellence.

STATUS OF U.S. FEDERAL FINANCIAL MANAGEMENT

Chief Financial Officer’s Act

Passage of the Chief Financial Officer’s Act (CFO Act) in 1990 signaled the beginning of efforts to improve federal financial accountability by holding the government accountable for issuing audited financial statements consistent with its financial standards. Public private sector companies had been issuing audited financial statements for years. In addition, the CFO Act established CFOs at major U.S. federal agencies. In 1994, the Government Management Reform Act was enacted, requiring U.S. government-wide financial statements to be audited by GAO. The first government-wide statements were issued by the U.S. Department of the Treasury (Treasury) for fiscal year (FY) 1997. At that time, only 8 of the 24 CFO agencies had received “clean” audit opinions on their statements. In contrast, for FY 2003,
20 of the 24 agencies had received clean opinions. Although great strides have been made, according to the Secretary of the Treasury, much more remains to be done. GAO was unable to give the federal government a clean opinion for the sixth straight year on its government-wide consolidated financial statements. In addition, while progress was made obtaining individual agency clean opinions, it was taking about 5 months to issue them. This is an indication that the agencies did not have timely and accurate financial information on a regular basis.

Federal Financial Management Improvement Act

In 1996, Congress enacted the Federal Financial Management Improvement Act (FFMIA), requiring the 24 CFO Act agencies to implement and maintain financial management systems that comply substantially with the (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the U.S. Government Standard General Ledger (SGL) at the transaction level. The SGL is issued by Treasury’s Financial Management Service (FMS) to provide consistency in financial transaction processing and reporting through a uniform chart of accounts and pro forma transactions. For FY 2002, the latest year for which GAO had data, auditors reported that the systems for 19 of the 24 CFO Act agencies did not comply substantially with at least one of the FFMIA requirements. While the number of agencies with unqualified or “clean” opinions was increasing, the number of agencies with systems not in compliance with FFMIA remained steady. GAO identified six primary problems affecting FFMIA noncompliance:

- Nonintegrated financial management systems,
- Inadequate reconciliation procedures,
- Lack of accurate and timely recording of financial information,
- Noncompliance with the SGL,
- Lack of adherence to federal accounting standards, and
- Weak security controls over information systems.

The problems identified were long-standing; 17 of the 24 CFO agencies advised GAO that they were planning to or were in the process of implementing a new core financial system.

President’s Management Agenda

In August 2001, the President’s Management Agenda (PMA) was launched with the goal of making the government more results-oriented and accountable. Five areas of emphasis were identified for the agenda, one of which was financial management. The President's Office of Management and Budget (OMB) rated each of the larger agencies in the five areas, providing a score of red, yellow, or green. Red signifies unsatisfactory results; yellow, mixed results; and green, success. When the effort began, almost all agencies received red scores in all areas. In fact, only two green scores were given in all five areas. In a 2002 report on progress, Scorecard Standards for Success were issued for each of the five improvement areas. The standards for financial management are as follows:

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11 Ibid., p. 6.
12 Ibid., p. 3.
14 Ibid., p.1.
Green (Must Meet All Core Criteria)

- Financial management systems meet federal financial management system requirements and applicable federal accounting and transaction standards as reported by the agency head,
- Accurate and timely financial information,
- Integrated financial and performance management systems supporting day-to-day operations, and
- Unqualified and timely audit opinion on the annual financial statements; no material internal control weaknesses reported by the auditors.

Yellow

- Achievement of some, but not all core criteria listed above, and
- No Red conditions.

Red (Has Any One of the Following Conditions)

- Financial management systems fail to meet federal financial management systems requirements and applicable federal accounting standards as reported by the agency head,
- Chronic or significant Anti-deficiency Act violations (spending more money than was appropriated by Congress),
- Agency head unable to provide unqualified assurance statement as to systems of management, accounting, and administrative controls, and
- Auditors cite material non-compliance with laws and regulations, or repeat material internal control weaknesses; or are unable to express an opinion on the annual financial statements.

As of December 31, 2003, four of the 26 agencies had received a green scorecard for financial management. They are the Department of Education, the Environmental Protection Agency, National Science Foundation, and the Social Security Administration. Four agencies received a yellow scorecard: the Departments of Energy, Labor, and State, and the Office of Personnel Management. Eighteen of the 26 agencies remained at red. However, the agencies were also rated on their progress in implementing the PMA. Here, 19 of the 26 agencies were rated green for progress in financial management, which is defined as implementation proceeding according to plans. The remaining 7 agencies were rated yellow, defined as “slippage in implementation schedule, quality of deliverables, or other issues requiring adjustments by agency to achieve the initiative on a timely basis”. No agency was rated red for progress in financial management, defined as “initiative in serious jeopardy; unlikely to realize objectives without significant management intervention.”

Recognizing that the agencies rated are making progress, there is still much more that needs to be done. There are many agencies that have not provided audited financial statements and have had financial management scorecards published by OMB. They are the smaller, independent agencies not covered by the CFO Act. However, Congress enacted the Accountability of Tax Dollars Act of 2002 to require federal agencies with budget authority in excess of $25 million to provide annual audited financial statements. In December 2002, OMB notified almost 80 federal agencies that they were subject to the legislation. At least two of the agencies, the Federal Communications Commission and the Pension Benefit Guaranty Corporation, had been voluntarily producing audited financial statements well before the Accountability of Tax Dollars Act was enacted. However, for many of the agencies, it was an unanticipated requirement.

In its May 2002 comments on the proposed legislation, SEC stated that, “as the agency charged with overseeing the financial reporting of public companies, the SEC is uniquely aware of the importance

15 Ibid., p. 3.
of audited financial statements.” SEC requested that the smaller agencies be given the same amount of time that the larger agencies were granted to complete the extensive preparations for their first audited financial statements.

Regardless of whether SEC and other agencies subject to the proposed legislation were given additional time to comply with the CFO Act, SEC stated that it had begun an effort in the previous year to evaluate its ability to meet the requirements for preparation of such statements. In its budget requests for FY 2002-3, SEC requested funds to allow it to assess the requirements for producing audited financial statements and begin the necessary systems enhancements. However, as of the date of its testimony, SEC had not been authorized or appropriated funds for that purpose. In its 2002 Annual Performance Report, the latest performance report available, SEC stated that it had undertaken an extensive management review of its automated and manual financial, administrative and program management controls and information system security controls. It identified specific areas that need to be resolved before SEC can prepare financial statements and undergo audits successfully.

While the Treasury received an unqualified or “clean” opinion on its financial statements, IRS will need to accelerate its efforts to address its financial management challenges, if Treasury is to receive a green score in this area. For example, in its FY 2003 Performance and Accountability Report, Treasury stated, “complete compliance with federal financial systems requirements will not be achieved until IRS completes its financial systems modernization efforts.” In addition, erroneous payments in the IRS Earned Income Tax Credit program continued during FY 2003. Lastly, according to the Treasury Inspector General, prompt correction of material weaknesses in internal control is one of the major challenges facing Treasury. Six of the nine remaining material weaknesses relate to the IRS and have been outstanding for as long as 15 years.

In summary, while the federal government has made progress in financial management, it needs to continue to make improvements and focus on ensuring that those agencies that regulate the private sector in financial matters, set an example of excellence in their own operations.

NEXT STEPS

What does the U.S. government need to focus on then? Will it suffice if all agencies, both large and small, prepare and receive “clean” audit opinions on their financial statements? While this would be an achievement and a good step forward, it is only the baseline or starting point for excellence in financial management. According to the Secretary of the Treasury, “A clean audit opinion provides assurance that agencies are responsibly accounting for the people’s money. If it takes them 5 months to issue audited financial statements, however, it is a good indication they do not have timely and accurate financial information available on a regular basis. This is why the Administration is working with all agencies to close their books more quickly. Eight agencies have accelerated the issuance of audited financial reports to 45 days after year end, which is the 2004 Government-wide requirement.”

While a clean opinion is the baseline for financial excellence, some agencies are only just beginning to prepare their own financial statements and have their statements audited to date. This includes agencies that regulate the private sector as well as those that do not. Of the larger agencies that have been issuing audited financial statements for some time, 27 received unqualified or “clean” audit

19 Ibid., p. 228.
opinions on their FY 2003 statements. This compares with only 8 of the 24 CFO Act agencies receiving clean opinions on their 1997 financial statements.

In order to make the kind of progress that will allow the government to set an example of financial excellence, federal agencies will need to have the systems in place that meet the requirements of FFMIA. In a September 2003 report, GAO found that most agencies’ financial management systems continue to have shortcomings. While much more severe at some agencies than others, the nature and seriousness of the problems indicate that, generally, agency management does not yet have the full range of reliable information needed for accountability, performance reporting, and decision making.

Auditors for 19 of the 24 CFO Act agencies reported that their agencies’ financial management systems did not comply substantially with one or more of the three FFMIA requirements. FFMIA requires compliance with (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the SGL. GAO identified six continuing, primary problems that affect FFMIA compliance. They are:

1. Nonintegrated financial management systems,
2. Inadequate reconciliation procedures,
3. Lack of accurate and timely recording,
4. Noncompliance with the SGL,
5. Lack of adherence to federal accounting standards, and
6. Weak security over information systems.

If federal agencies are to set an example of excellence, they must correct their internal controls problems and the above six problems identified by GAO.

Integrated Financial Management Systems

OMB Circular No. A-127, Financial Management Systems, requires agencies to maintain a single integrated system. An integrated financial system coordinates a number of functions to improve overall efficiency and control. For example, an integrated system is designed to avoid unnecessary duplication of transaction entry and greatly lessen reconciliation issues. Transactions are entered only once and are available for multiple purposes or functions. OMB also requires agencies to purchase commercial off-the-shelf (COTS) packages sold by vendors whose core financial systems software has been certified.

Auditors for 12 of the 19 agencies with noncompliant systems reported this as a problem. For example, the Department of Transportation’s (DOT), Inspector General (IG) reported that DOT made about 860 adjustments outside of its core accounting system, totaling $51 billion in order to prepare the financial statements. The Department of Defense (DOD) has approximately 2,300 financial systems and systems development projects, characterized by poor integration and minimal data standardization. Across the U.S. government, many efforts are underway to implement or upgrade financial systems. According to GAO, 17 agencies advised that they were planning to or were in the process of implementing a new core financial system. Target implementation dates for 16 of the 17 agencies ranged from FY 2003 to FY 2008. (The remaining agency, DOD, had not determined a target date for full implementation.

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21 Ibid., p. 2.
22 Ibid., p. 3.
24 Ibid., p. 3
25 Ibid., p. 19
26 Ibid., p. 20
28 Op cit., GAO-03-1062, p. 5
The success of these efforts is key to providing timely and accurate financial information.

**Reconciliation Procedures Needed**

Auditors for 11 of the 19 agencies with noncompliant systems reported that the agencies had reconciliation problems, including difficulty reconciling their fund balance with Treasury accounts. The fund balance with Treasury account is the account where the agency’s budget spending authorization is maintained. The account is increased or decreased as the agency collects or disburses funds. Treasury requires agencies to reconcile their accounting records with Treasury’s records monthly, which is comparable to individuals reconciling their checkbooks to their monthly bank statements. Other reconciliation problems that agencies need to address include intragovernmental activities and balances—where one federal agency receives or provides goods and services to another. These balances are eliminated from the government’s consolidated financial statements, but if they have not been reconciled prior to such eliminations, the accuracy of information reported to Treasury and the resulting consolidated statements are adversely affected. In fact, GAO stated that inadequate reconciliation procedures were one of the principal reasons it continued to disclaim on the government’s consolidated financial statements.

**Accurate and Timely Recording**

Accurate and timely recording of financial information has not improved over the past year, according to GAO. Auditors for 17 agencies reported problems here in comparison with 14 agencies the previous year. Accurate and timely recording is a key internal control standard set forth by the Comptroller General of GAO. The lack of timely recording of financial information increases the risk that errors will go undetected, does not provide managers with accurate information during the year for decision making, and can result in misstatements in the financial statements.

**Compliance with the Standard General Ledger**

The SGL promotes consistency in financial transaction processing and reporting by providing a uniform chart of accounts and examples of entries for common transactions. These defined accounts and “pro forma” transactions are used to standardize the accumulation of agency financial information, as well as enhance financial control and financial statement preparation. However, auditors for 9 of the 19 noncompliant agencies reported that the agencies’ systems did not comply with SGL requirements. The Department of Housing and Urban Development has been noncompliant with the SGL for years because it must use several manual processing steps to convert its commercial accounts to SGL accounts.

**Adherence to Federal Accounting Standards**

Similar to the U.S. private sector’s requirement to report its transactions in accordance with U.S. generally accepted accounting principles, the federal government is required to report its transactions in accordance with federal accounting standards that are set by the Federal Accounting Standards Advisory Board. Auditors for 13 of the 19 agencies with noncompliant systems reported that the agencies had problems complying with one or more federal accounting standards. DOD, Justice, and the Federal

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29 Ibid., p. 22
30 Ibid., p. 23
31 Ibid., p. 23
33 Ibid., p. 24
34 Ibid., p. 25
Emergency Management Agency reported weaknesses in complying with Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, which became effective for FY 1998. In other words, these agencies have had problems reporting their property, plant, and equipment for at least five years. Some of the problems stem from the inability to capture the correct acquisition date and cost of its property, due to system limitations.

Other areas of noncompliance with federal accounting standards reported by GAO, include *Revenue and Other Financing Sources* (SFFAS No. 7); *Internal Use Software* (SFFAS No. 10); and *Managerial Cost Accounting Concepts and Standards* (SFFAS No. 4). The standards for software were effective in FY 2001; the other two have been effective since FY 1998. Five agencies reported problems implementing the managerial cost accounting standards. Managerial cost information is critical for implementing the PMA. Integration of agency budgets with performance is an essential part of making public-private competition decisions as part of competitive sourcing. Similarly, accomplishment of the other agenda initiatives—improved strategic capital management, financial management, and expanded electronic government—will matter little without the integration of agency budgets with performance. Examples of agencies having problems complying with the managerial cost accounting standard included DOD, DOT, and the Department of Labor.

**Security Controls over Information Systems**

Information security weaknesses are one of the frequently cited reasons for noncompliance with FFMIA. Auditors for all 19 of the agencies reported as noncompliant with FFMIA identified weaknesses in security controls over information systems. Unresolved information security weaknesses could adversely affect the ability of agencies to produce accurate data for decision making and financial reporting if the weaknesses compromise the reliability and availability of financial management system data. GAO reported in April 2003 that, based on audit reports issued from October 2001 through October 2002, 24 of the largest federal agencies continued to show significant weaknesses in federal computer systems that put critical operations and assets at risk.

**SUMMARY**

While U.S. government agencies have accomplished much since the passage of the CFO Act in 1990, much more will need to be accomplished if the government is to set an example for the private sector in financial management. The passage of the Accountability for Tax Dollars Act of 2002 will ensure that almost all federal agencies issue audited financial statements, not just the larger federal agencies. The PMA and congressional oversight have both increased the focus on greater federal financial management accountability for improvements.

Against this backdrop, however, the U.S. private sector and international companies have experienced financial scandals, with material misstatements and misrepresentations in their financial statements. This argues not only for legislation and regulations to help prevent the problems from recurring, but leadership by example from the federal government. Now more than ever before, the government needs to say, “Do as I say and as I do.” But this will not happen quickly or easily. It has taken years and concerted efforts on the part of many to achieve the progress in government financial management that has occurred to date. It will take increased resources and effort on the part of many in both the executive and congressional branches of government to enable the government to lead by example as well as by fiat.

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35 Ibid., p. 26
36 Ibid., p. 28
Those agencies that regulate aspects of the private sector’s accounting and finances should be the first to receive accelerated attention and assistance. Unfortunately, some regulatory agencies have a long way to go before they can: (1) receive a “clean” opinion on their statements with no material internal control weaknesses, (2) comply with all federal accounting standards, (3) meet all federal financial management systems requirements, (4) provide accurate and timely financial information, and (5) integrate financial and performance management systems supporting day-to-day operations—in essence, get to “green” in financial management. The administration does not publish a scorecard for some regulatory agencies.

This paper would argue that the administration should publish scorecards for financial management for those agencies that regulate aspects of the private sector’s accounting and finances. In addition, it should provide increased resources and accountability to those agencies to ensure that they have a plan to get them to “green” at the earliest possible time. It is unacceptable to have a federal agency regulating the private sector’s finances that itself has had long-standing material internal controls or system weaknesses. It is also unacceptable to task an agency with the responsibility to “get to green immediately”, but not provide the resources to allow it to do so.

Federal government financial management leaders need to focus first on getting regulatory agencies to “green”. Some may be there already, but a comprehensive assessment or scorecard has not been made available to the public. Others are not close to setting an example of financial excellence. Based on reviews of the larger federal agencies, areas for increased attention at the regulatory agencies include ensuring the agency’s accounting operations:

- Provide a single integrated financial system,
  - Implement the U.S. SGL at the transaction level, and
  - Integrate budget and performance data.
- Include adequate reconciliation procedures,
- Provide accurate and timely recording of financial information,
- Adhere to federal accounting standards,
- Provide adequate security controls over information systems, and
- Provide adequate internal controls.

If these areas become priorities for regulatory agencies, it will go a long way toward having the government be able to say, “Do as I say and as I do.”

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In the United States some of the earlier proponents of performance measurement and its predecessors (see Light, 1997, for a review of previous efforts) envisioned a management information system in which decisions would be driven by the information collected. This vision evoked fears in others that performance measurement would be destructive by giving the appearance of rational decision-making but in reality being based on inadequate pieces of information and being distorted to support political goals (Perrin, 1998). Such concerns are often valid as performance measurement is not value-free. The act of measuring ensures that resources be directed toward the goals of those activities thereby making allocation decisions between activities. Furthermore, critics say that managers measure what they value, so, “performance measurement becomes a value-defining exercise as well” (Kelly, 2002, p.287).

The optimistic view of rational decision-making and the pessimistic view of performance measurement as solely a political tool presume instrumental use of performance measurement. However, as Weiss’s (1988) work noted we can also talk about less direct but rational use. Performance measurement may have little direct impact in decision-making and serve only a role in ‘enlightening’ various stakeholders. Yet, I dare to argue, if it leads to dialogue and discussions that result in better informed decisions, then we can say that performance measurement works. This paper develops this deliberative use of accountability.

I begin with the premise that elected officials and government functionaries have come to accept, whether by force (because of increased demands from citizens) or as their own initiative, the need to be accountable to citizens, those whom they are supposed to serve. For the purpose of this paper, we will understand the concept of accountability as holding someone responsible for something. Thus, being accountable implies responsibility for one's actions and their consequences (Roberts, 2002). This aspect of accountability presumes that activities and actions are linked to specific results (Behn, 2003), a point of contention for some program evaluation scholars (Greene, 1999; Shadish, Cook, and Leviton, 1992).

The means for holding someone accountable is the domain of what Roberts (2002) calls performance-based accountability which “requires the specification of outputs and outcomes in order to measure results and link them to goals that have been set, in accordance with the norms of management practice” (p. 659). This emphasis on outcomes has led government entities to identifying goals and measuring progress towards the stated goals instead of processes (Kelly, 2002). Performance-based accountability requires performance measurement, the on-going production of information about an organization’s performance with regards to services or programs. I would like to note, however, that paying attention to processes is important. By analyzing processes we can determine whether or not a program has been implemented as intended. Without this knowledge, we cannot have the right discussions.

PERFORMANCE MEASUREMENT FOR DECISION MAKING

Performance measurement provides decision makers with information that can be used for monitoring results as well as guiding allocation of resources and budget justifications. Performance measurement information tells us what has happened. Knowing the “what” is very important when it come to making decisions about public programs. Consider the situation that follows.

You are trying to lose weight (say a goal of 20 pounds). You go on a diet and an exercise program. In order for you to know if you are moving towards your goal (losing 20 pounds) you need to
find a way to monitor what is happening. In this case the way to do that is to weigh yourself (the measurement), and your indicator of weight loss is how much you weight. You do this on a regular basis (say once a week) so that you can monitor the result.

If you find that you are losing weight at an acceptable rate to you (say 3 pounds a week) you are likely to continue your regime of diet and exercise, but you would assume that your regime is not working if there is no weight loss. The chosen performance measurement tells you what is happening – hopefully you are losing weight- but it does not tell you why (is it the exercise or the diet?) nor those it tell you what to change (e.g., smaller meals, fewer carbohydrates, or more exercise). If you find that you are losing weight at a satisfactory rate, you continue doing what you were doing. The assumption is that the regime is causing you to lose weight (an assumption of causality). If you find that you are not losing weight you are likely to conclude that your regime is not working and try to determine why this is the case. Determining the “why” is the domain of program evaluation. Maybe you are not following the diet and the exercise as suggested (program is not being implemented appropriately), or the particular diet plan cancels out the effects of your exercise regime (a faulty program logic). The why allows you to assess the effects of the diet and exercise regime and gives you clues as to how best to alter your program in order to achieve the desired goal. You will then continue monitoring your weight to see if you are moving towards the goals.

This simple example serves to illustrate why performance measurement is essential to management. It gives you information that you can use to better inform decisions about programs. As stated by a local government employee in an interview, “performance measures allow managers and elected officials to think carefully about programs and help to open people’s eyes as to where you are and where you would like to be” (de Lancer Julnes, 2002).

But the example also points at another fundamental point, the need to complement performance measurement with some additional understanding, in this case of the details of the diet and exercise, but more generally with more systematic program evaluation. For reasons of space I only briefly elaborate this point later. A more detailed discussion is presented in de Lancer Julnes (2004).

In addition, performance measurement is an important component of strategic planning efforts. In the context of strategic planning, according to Hatry (1999, p. 175), performance measurement has at least three specific purposes:

- To provide baseline values for each of the plan’s performance indicators and thus establish the extent of action needed.
- To provide historical data on each indicator so that outcomes can be projected for each of the options examined.
- To provide data on key outcome indicators that can be used in regular reports on progress toward meeting strategic plan objectives.

What Does A Performance Measurement System Look Like?

There are several types of performance measures or indicators that can be used for decision-making about service delivery. I will illustrate the different types in the context of police work. They include: a) Inputs- resources used to produce outputs such as number of policemen, dollar costs, staff and staff time, materials, and other resources; b) Outputs- the final product or service delivered that ultimately, it is hoped, will lead to a desired outcome. Number of arrests, number of police on patrol, number of tickets given, and response time are examples of outputs; c) Outcomes- are the consequences of outputs and are often more complex to measure. They can be classified as intermediate outcomes (an outcome that is expected to lead to a desired end but is not an end in itself) and end outcomes (the end result that is sought). Illustrations for the former would be the number of arrests that are actually prosecuted, and a reduction in crime rates, examples of the latter would be citizens feeling safer and improved confidence on the police; d) Efficiency measures- relate the output to input or outcome to input. This is also call unit-cost ratio. Experts have also suggested that explanatory measures be included so
that details can be provided as to why, for example, a particular program did not achieve what it intended to achieve.

Traditionally, output and input indicators are the ones most often utilized by government entities (Governmental Accounting Standards Board, 1997; de Lancer Julnes and Holzer, 2001). Part of the reason is that such indicators are not as complex and difficult to measure as service outcomes (Kelly, 2002). In fact, even some of the staunchest critics of performance measurement contend that performance measurement is an inadequate tool for measuring the outcome of social services (Greene, 1999).

Note that underlying the concept of outcome is an implicit assumption about the existence of some dimension of quality. Take as an example a municipality that invests in trucks equipped with a robotic arm to replace workers previously used to pick up the garbage bins, throw the garbage in the back of the truck, and put the garbage bins back. Say that the assumption is that with this investment the municipality will improve performance because of improved efficiency, more garbage being picked up in a shorter time. However, after inspection you find that the streets are dirty because the garbage bins are being dropped with garbage still in them, this is not a good outcome. Obviously, you are not being effective. Furthermore, the likelihood is that citizens will be dissatisfied and give you a bad rating on street cleanliness. In the case of the police, if there is a greater number of arrest but most of those arrests are dismissed, there is probably no impact on crime rate, and citizens may be dissatisfied and not feel any safer. Because of this, contend Kelly and Swindell (2002, p.273) “governments can evaluate outputs and their service delivery system;” however, “the evaluation of service outcomes is left to the citizen.” If the role of government is to improve the quality of life of citizens, “then outcomes are the only useful measures of public accountability” (p.273). Thus, input and output indicators, and even efficiency indicators, which are rarely provided, are not sufficient for properly making decisions about service delivery. They say nothing about the consequences or results of using the resources to provide a certain service. Consequently, for the past few years, we have seen an increased emphasis being placed on the measurement of outcomes, and hence the ‘management for results’ movement.

Below is another example of a performance measurement system, this time for an inoculation program (health). This example makes use of the logic model approach which is widely used for program evaluation. Logic models are useful because they give us insight into the theory behind the program. Readers should note that by themselves performance measurement have many limitations. A performance measurement system can be strengthened by using program evaluation methods and approaches such as logic models. For a more detailed discussion of these limitations and strategies for improving, see de Lancer Julnes (2004). As for the box labeled A better society, this is included to remind us of the ultimate goal of public programs and policies.

Figure 1. Example of Indicators: An Inoculation Program
The Status of Utilization of Performance Measures in the United States

Research in the United States has shown that even though organizations tend to say that they have developed performance measurement systems, they do not appear to implement (or actually use) the performance measurement information. To understand this apparent lack of utilization, in 1999 I conducted telephone interviews of a sample of individuals in organizations that had been part of the 1997 survey conducted by de Lancer Julnes and Holzer (2001). These organizations included states, counties and local governments. I asked an open-ended question about use and then went over a list of specific uses that were included in de Lancer Julnes and Holzer’s study (responses to the specific uses are reported in Table 1). Matching these discrete responses to the open-ended question indicated that implementing performance measures for resource allocation means that the agency is using the information as part of the budgeting process. Sometimes, the information is used by executives or legislators to ask questions regarding why a certain target was or was not achieved. One respondent stated that “they are used to analyze what’s going on in the program and to bring it to the attention of the city council.” Another said, “they are also used to explain, not necessarily for decision making.” Interestingly, all respondents reporting that performance measurement was used for resource allocation indicated that they were rarely used to cut budgets in cases of poor performance. Using performance measures for strategic planning really means that the measures are included in their five-year plan as targets. ‘Reporting to elected officials’ means that this is done through the budget document. No other form of systematic reporting was indicated. Likewise, reporting to citizens and the media meant that the budget document was made available, often at the library and, in some instances, through the web.

Table 1. Implementation of Performance Measures: Discrete Choices

<table>
<thead>
<tr>
<th>Uses</th>
<th>Number and Percentage of Responding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic planning</td>
<td>9 (50%)</td>
</tr>
<tr>
<td>Resource allocation</td>
<td>11 (61%)</td>
</tr>
<tr>
<td>Monitoring of programs</td>
<td>11 (61%)</td>
</tr>
<tr>
<td>Reporting to internal management</td>
<td>8 (44%)</td>
</tr>
<tr>
<td>Reporting to elected officials</td>
<td>9 (50%)</td>
</tr>
<tr>
<td>Reporting to citizens or media</td>
<td>6 (33%)</td>
</tr>
</tbody>
</table>

The most notable common theme in the open-ended responses was that performance measures don’t drive decisions but are important and somehow influence action. To those who would judge the effectiveness of performance measures in terms of their direct use in decision-making, the conclusion would therefore be that performance measurement doesn’t work. But this interpretation would miss the more subtle, but still valuable, impacts of performance measures. Specifically, respondents reported using performance measures (1) to justify budgets, (2) to fulfill mandates for transparency, and (3) to inform debate among administrators and elected officials.

In line with the fears described above, political use is seen in using performance measures for budget related purposes, such as justifying funding requests (e.g., for explaining why they need more money, or to show what they’ve done with the money). Budgets, and the budget process itself, are part of political struggles over the resources to be allocated, struggles which imply an inevitable “win” for some and “lose” for others (Miller, 1991, Meld, 1974). There is also some political role in using performance measures for transparency purposes, particularly in situations where performance measurement has been mandated without a buy-in from managers and elected officials.

More of a rational use, on the other hand, can be seen in responses that emphasized the use of performance measurement to inform administrators and elected officials about the progress toward specific goals. This sort of use is not free of political goals, but respondents spoke of performance
measures as giving them the ability to monitor their goal attainment, thus helping organizations move in the right direction.

Given these uses, it is useful to consider how the respondents felt about the effectiveness of performance measurement. While there were a few skeptics (e.g., one respondent had seen PPBS and ZBB come and go and expected the same thing for performance measurement), most of the responses were positive. One respondent answered that “when performance measures are used the way they are supposed to be used, performance measures are useful.” This positive view appears to follow from actual use of performance measures tending to be intermediate between a mechanical, direct use and some vague enlightenment. Even when presented in a political manner to justify budgets or fulfill transparency mandates, respondents indicated the information from performance measurement is actively used by decision-makers. Some reported that using performance measures allowed managers and elected officials to think carefully about programs and helped to “open people’s eyes as to where you are and where you would like to be.” Significantly, when performance measurement was not viewed positively, it was associated with the less subtle use in which performance measurement made things worse because, as one respondent noted “there are many things you can’t quantify, and [decisions] should not be driven by measurement systems that simply count things.”

For the ones wanting to see concrete examples of use among American managers, these findings might appear rather disheartening. Yet, the responses to my telephone interviews suggest that performance measures have greater impacts on decision-making than some skeptics have concluded but also more subtle impacts than some pessimists have feared. If we are able to use performance measurement to make more informed decisions based on a better understanding of a program, then we can say that performance measurement works. Likewise, even if the information is used in a political mode to justify our budget requests, there is still a contribution to transparency that can also be claimed as a success for performance measurement. Notwithstanding the many theoretical debates on the topic, this is good news for real managers who, while not immune to political pressures, want to provide better service to the public.

COMMUNITY ENGAGEMENT IN PERFORMANCE MEASUREMENT

Like any other type of decision making, deciding what to measure is an extremely important value-driven exercise in public management. This is because, as suggested by Wildavsky (1961) and Kelly (2001), what gets measured gets funded. Measuring, contends Kelly, is a value-defining exercise where those who get to set the standards for measuring “imprint their values on the process and change outcomes” (p.291). Therefore, suggests Kelly, unless citizens are included in the process of deliberation, it is not appropriate to assume that when managers or elected officials get to decide the goals, objectives and performance indicators of programs, such things reflect the value-preferences of citizens and thus the programs are responsive to citizens’ needs. In fact, Callahan and Holzer (1999, p. 51) have stated that in order to develop an objective approach to accountability that “is accepted as impartial, utilized as a means of adding value to public decisions, and applied to positively impact the day-to-day lives of citizens,” organizations have to involve citizens in the process of performance measurement.

Furthermore, enlisting citizens in policy deliberation sends the message that government is interested in promoting and supporting a representative democracy. In a representative democracy, individuals have the “right to be informed, to be consulted and to express his or her own views on matters which affect them personally” (Petts, 2001, p.207). Also, by involving citizens, government can develop strategies for implementing services that address those needs that are of more value to citizens. In return, this balance of values will help to improve the perception of quality and responsiveness of public services.

1 Although I primarily focus on citizens’ participation here, there are other important members of the community of stakeholders that need to be included when developing and implementing performance measurement systems. Those include management and non-management employees. For a detailed discussion see de Lancer Julnes (2001).
When government seeks meaningful citizen participation, it increases perception of legitimacy and trust in government. Participation, concludes Petts (2001), supports institutional legitimacy and the bottom-up approach to decision making. This approach increases the acceptance of the decisions and the chances of implementation while reducing the likelihood of vocal opposition (Callahan, 2001). In addition, some argue that engaging citizens in performance improvement efforts can help to (re)build public trust in government and lead to the long term sustainability of the performance measurement initiative because citizens can promote accountability among policy makers (Epstein, 1998; Weidner and Noss-Reavely, 1996). Citizens in this view are important players in shaping the quality and responsiveness of government programs in their community (Epstein, et al., 2000).

For performance measurement, citizens participation not only implies that the appropriate values are represented, but also that more meaningful measures of performance, those that matter the most to citizens, the ones whose life government is affecting, are more likely to be developed. As pointed out earlier, it is very difficult to develop certain indicators of performance. Without the proper guidance of citizens regarding what is important to them and their understanding of what is feasible to measure, relevant indicators of performance are difficult to develop. Take as an example our earlier discussion about quality. In and of itself, quality is a very complex concept to measure. Quality is multi-dimensional and subject to the interpretation of those measuring it, those from whom information is being collected to measure it, and those interpreting the information (Greene, 1999). In fact, this multi-dimensionality and subjectivity of the concept leads critics to insist that performance measurement, particularly when the measures are developed in a vacuum, is an inadequate tool for measuring the quality of social services.

Another important aspect of participation by citizens is that meaningful participation allows citizens to develop a perception that they can have an influence on those things that affect them the most. Meaningful participation contributed to the success of the participatory budget in Porto Alegre, Brazil (Koonings, 2004), and has been empirically demonstrated to affect citizen’s perception of influence in a local United Way’s planning process (Julian and Reischl, 1997). Participation, conclude Julian and Reischl, provides citizens with a sense of empowerment and community. A process that allows citizens to exercise their competences and promote a sense of belonging to something larger, a community, is essential to participation.

Finally, organizations that have been working toward becoming results oriented have reported that to be successful, performance measurement must contain real-world consideration of the efforts and costs involved in gathering and analyzing data (U.S. General accounting office, 1996). Shared deliberation affords the opportunity for dealing with these issues up front. This can help ameliorate future problems of implementation.

Some Practical Considerations

There are some political implications to citizen participation. Citizen participation is a challenging task, particularly for regimes where public officials see themselves as the voice of the public. This is further complicated in situations where the norm has been passive consultation (Petts, 2001, Barnes, 1999a). The new paradigm of citizen participation requires that those who were traditionally in charge of making decisions share decision making powers. In addition, they will need to confront the fact that the previous influence of their value-system might be diminished or eliminated, should those values not align with those of citizens’.

Further, at the core of citizen participation are values such as freedom, equality, and individual rights. Yet, these values are not compatible with traditional government bureaucracies, which are often based on routinization, hierarchical authority, expertise, and impersonality, where professionals separate themselves from those to whom they serve (Callahan, 2001, p. 8). Thus, government will need to design new bureaucratic arrangements conducive of an organizational culture that can support and nurture the values embodied in citizen participation. This, we understand, takes time and resources.
There are also some practical concerns in promoting citizen participation in performance measurement in particular and decision making in general. First, if individual citizens perceive that the process of participation is not meaningful (i.e., the process was just lip-service), that they are not given the actual power to influence decisions, the practice can backfire and induce to further resentment and distrust of public officials. In the case of the United Way, it was discovered, for example, that if the planning process puts citizens in a role of a consultant, participants did not feel empowered (Julian and Reischl, 1997). In contrast, initiatives in the areas of justice and immigration in the states of Oklahoma, Minnesota, and New York were successful. They involved thousands of people in hundreds of meetings that gave them the opportunity to discuss policy priorities and policy solutions that they (citizens) considered important issues (Leighninger, 2002). Individuals felt that they had political legitimacy, “that they were recognized as having public privileges and responsibilities, and policy efficacy, that their opinions and actions carried weights with public officials and fellow citizens (p.137).

Second, citizen participation is difficult to maintain. It requires a tremendous amount of time and effort from the part of the citizens and the members of the organization seeking it. In Utah, the Utah Tomorrow strategic planning committee was successful in establishing itself as an institution in the decision-making process of public officials, to a large extent because of the legitimacy that it obtained from citizens, as well as agency officials’ participation during the adoption stage of the strategic planning and performance measurement effort (de lancer Julnes and Mixcoatl, 2004). During that stage, they conducted a large number of state-wide meetings, some in person, and some via satellite, inviting citizens to participate. In fact, the legislation that created the Utah Tomorrow Strategic Planning Committee in 1990 emphasized involving all segments of Utah society in the process including state and local government, private industry, minority and ethnic groups and all geographic areas. However, once the process reached the implementation stage, it became more internal with limited if any public participation. As a result, contends one of the initial leaders of this process, unlike agency officials and the Governor, the Legislators in Utah do not feel compelled to use the performance measurement information contained in Utah Tomorrow’s report (de Lancer Julnes and Mixcoatl, 2004).

Third, another important consideration is that citizens may be more tuned into and interested in the issues that correspond to their most immediate surroundings. Thus, balancing preferences, particularly in situations that require a great deal of acceptance might prove to be difficult at best, impossible at worse.

Fourth, one of the most important conditions required for effective participation is diversity. Unfortunately, knowing how to best capture and channel diverse perspectives and interests, and how to give voice to and engage the more powerful and the less powerful in the same sociopolitical space in a sustainable participatory process is difficult (Mathie and Greene, 1997). The other difficulty is that sometimes approaches that want to be inclusive and diverse tend to increase group dissensus and generate groups that are likely to seek and stabilize their own agenda (Rosenbaum, 1976).

On the other hand, inasmuch as we want to be inclusive, it is important to recognize that sometimes it is not necessary to involve all citizens in all service decisions. Kelly (2002) argues that decisions that need a great deal of acceptance need and should involve citizens’ participation. Decisions that require a great deal of quality should not involve citizens (Kelly, 2002). Also, even though we want to give all citizens a voice in an effort to support those values that interest them the most, there is a delicate balance between the ideals of inclusion, freedom, and security embodied in citizen participation. For example, if decision makers want to develop an effective system for protecting children from convicted child molesters, the decisions on what the system should look like should not be based on the value-preferences of child molesters. This example highlights some of the concerns raised by Halacmi (2004), as he discusses the limits of governance and the possible damaging results when government “abdicates some of its traditional ‘governing’ responsibilities” (p.11).

In spite of the above mentioned implications and challenges, there is much to be gained from supporting citizen participation. In the long-run, government stands to gain from increase trust, and a sense of citizens feeling a sense of community and empowerment.
Suggestions For Developing And Implementing A Performance Measurement System That Supports Deliberation

The National Center for Public Productivity (NCPP) has developed guidelines for the process of developing a performance measurement system. The process, adapted for the inclusion of citizens and other stakeholders as well as further elaborated, is discussed below. These guidelines need to be considered in the context of the considerations discussed in the previous section.

1. Identify the programs to be measured. Programs are a grouping of routine activities aimed at providing support for specific public services. As mentioned earlier, this is a value-driven decision, one where stakeholders should have a role to play.

2. State the purpose and identify the desired outcome. The purpose of a program must be clearly articulated. It should be aligned with the mission, goals and objectives of the government entity it is part of. These allow for the identification of outcomes the entity wants for its program and are part of a strategic planning process. As shown in Utah, citizen participation is an asset in such process.

3. Select measures or indicators. Selecting the most appropriate indicators is a crucial step in a performance measurement system. They should be directly related to the objectives, goals, and mission. Obtaining consensus among stakeholders is a difficult task, but in the end the agreed-upon indicators tend to be the most relevant and responsive to the needs of the stakeholders. This was the case of the process we used for developing a performance management system for the State of Illinois’ Teen REACH program discussed in de Lancer Julnes (2001).

4. Set performance targets. Here it is decided how to determine whether the stated terms of effectiveness and quality have been met. This is often done using benchmarks or some sort of basis for comparison. In that setting, performance targets create an expectation, often times those who will be responsible for making sure that the program meets targets opt for not stating targets. This was the case of Utah Tomorrow. Early on, those involved in the strategic planning process decided not to include targets in the strategic planning report. Part of the reason is that when agencies do not meet the targets, instead of giving them an opportunity to find out the reasons, there is a tendency to immediately want to punish them. If performance targets are set, citizens and other stakeholders including elected official must understand that, in spite of good intentions, sometimes there might be faulty program logic or the context in which the agency operates changes, which may negatively influence program’s outcomes. Because of the possibility of these situations, as suggested earlier, explanatory information should be part of performance reporting.

5. Monitor results. Performance measurement allow for the regular and systematic monitoring of outcomes. This is more of an internal (agency) activity. The extent of citizen participation is likely to be limited to providing data via questionnaires that attempt to assess satisfaction with programs and services. In the context of program evaluation, monitoring is referred to oversight and compliance. This is “the assessment of the extent to which a program follows the directives of statures, regulations, rules, mandated standards or any other formal expectations (Mark, Henry, and Julnes, 2000, p. 13).

6. Report performance. In addition to internally reporting program performance, such reports should be shared with citizens, elected official, the media, and other stakeholders. Unfortunately, as mentioned earlier, this is something that is often relegated to putting a report at the local library for public viewing. And, no systematic attempts are made to widely disseminate these reports. At the same time, it is important to keep in mind that different users of performance measurement information may require a different focus on performance measures. For example, managers and staff might want to focus on inputs and outputs over which they have more control; policy makers would want to focus
on inputs and outcomes; citizens may want to focus on quality; and advocacy groups may focus on unintended outcomes (de lancer Julnes, 2001).

7. Use the outcome information. When elected officials and other high level government officials use the performance information as part of their decision-making process, this sends a message that the input was given, and the process itself are valued. In Utah, Governor’s Leavitt use of the performance information contained in the Utah Tomorrow Strategic Planning Report provided an incentive for agency management and other personnel to also use the performance information for program planning, program adjustments, the re-evaluation of priorities, and budget requests. Also, like managers, citizens can use the information to spot challenges or weaknesses in program delivery as well as assessing the strengths of the program.

All the examples cited in this paper (i.e., Utah Tomorrow, Porto Alegre, Brazil, United Way, Oklahoma, New York, Minnesota, and Illinois) highlight the time and resources commitment that are necessary for developing an inclusive performance measurement system. They all had multiple meetings, some developed task forces to work on different aspects of the system, and all took a considerable amount of time to reach consensus. There is also a learning curve. Those who participate need to get used to the process. Thus, properly trained facilitators are essential. The facilitators should have the technical knowledge and experience required to develop a performance measurement system, and the ability to lead the group to consensus.

CONCLUSION

Performance measurement is a controversial tool for accountability. Part of the argument of this paper has been that the hopes and fears are both presumed on a narrow view of this approach. In contrast to the often discussed instrumental use of performance information, actual practice, particularly in the United States is about deliberative use.

This has implications for practice. First, we should not be dogmatic in our attempts to promote performance measurement. Otherwise, this is likely to yield the results expected by critics. Second, there are costs to a deliberative performance measurement effort. Those include the necessity for public officials to share decision-making power, and the time and other resources needed to make participation effective and sustainable.

On the other hand, the findings of my research and others’ provide strong support for concluding that an appropriate use of performance measurement will enhance dialogue of policy makers. And, when citizens are involved, this often results in improved quality of the performance measurement system and the acceptance of legitimacy of decisions.

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REFERENCES


Implementing a Performance-based Management System
(with a Case Description of China Post)

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INTRODUCTION

This study examines an implementation model of performance-based management (PBM). It argues that technical competencies and stakeholder involvement are necessary for a successful PBM implementation. Using the case of PBM reforms in China Post, it finds that technical competencies are being developed in the reforms. It also finds that, although the channels of stakeholder participation exist, stakeholders may not be involved in making critical decisions in Chinese reforms.

Performance-based management system (PBM) is becoming a world phenomenon where many governments use some forms of it to address specific issues in their countries. US and British governments employ it to deal with political pressure for efficient use of taxpayers dollars, while the government of New Zealand adopts it to articulate employee responsibility (Mascarenhas, 1996). The Hong Kong government connects it with its financial policies in the hope of withstanding the impact of economic depression (Lam, 2003).

The challenges facing the Chinese government indicate a need to adopt a PBM system in China. Since 1978, the market-oriented economic reform has created a maturing market and a large number of private enterprises. The need for economic efficiency in a competitive market contradicts the inefficiency of governmental operations characterized by a centralized and multiple-layer decision-making process, a top-down management structure, obsolete infrastructure, and most importantly, institutions with superfluous workforces. The latest phenomenon, often referred to as “inflated institution”, poses a serious threat to the market, which requires efficient operations of governments. Governmental agencies staffed with unnecessary workers are seen not only as a waste of resources, but also as the root of multiple decision-making layers, and thus an obstacle for efficient policy-making and implementation.

Another issue in the Chinese economy is the existence of a large number of inefficient state-owned enterprises. Many of them lose money and receive government subsidies over years. These enterprises constitute a significant portion of the Chinese economy, and they hire a large number of workers. Many of them are considered “pillar” industries – the ones that lead the economy such as transportation and communication. Because of the important economic role of these enterprises and the possible severe political consequences, simply allowing these companies to be eliminated by the market is not a choice. Therefore, performance-based reforms are considered critical in these enterprises.

Consequently, institutions in China have adopted a variety of PBM reforms. Academic discussions are also underway to seek the optimal use of PBM in the Chinese economy (Zhou and others, 2003). The debate seems to focus on the issue of developing PBM in China with the adoption of some features commonly seen in other countries. These features include an idea that an organization should be evaluated by its performance and should use performance measures.

This paper attempts to model PBM implementation in China in an effort to facilitate its implementation in the country. (1) The authors first examine a general model in developing PBM implementation strategies. (2) The second part of the paper develops a theory that explores the characteristics of PBM implementation in China. (3) The paper then analyzes a case of PBM in China.
Post. The data are gathered from an in-depth survey of eight officials and managers in China Post, which has implemented several waves of PBM for the past two decades. One of the authors was previously a Postal Master in Zhejing Province who has about 10 years’ work experience in China Post at the management level; another, a Chinese professor who is doing research in the field of performance management, and another, a US professor who has extensive research experience in PBM of US governments. (4) The article summarizes some lessons learnt from the case study.

This study serves three major purposes. First, it examines the Chinese PBM practice that is completely different in its socioeconomic and cultural setting from that the U.S. and other developed countries where the majority of PBM literature is developed. The salient contrast of the two settings should help the building of a general theory of PBM implementation, or at least provide catalyst for countries to learn from each other (Lan, 2003). Differences of political process and cultural environments become much more salient in a comparative context than in a sole US setting where technical capacities are often blamed for the failures of managerial reforms such as Zero-based budgeting (ZBB) and Planning, Programming, and Budgeting System (PPBS). Second, it provides practical guidance for the Chinese reform, which might choose to imitate a US PBM system (or a system of another country) in the future. Prediction on what will happen if such a system is adopted is indicated in this study. Last, it should help US reformers identify the circumstances when a special case happens to hinder the implementation. It should manifest the fact that some factors, under proper conditions, may play a more important role than expected.

THE PBM IMPLEMENTATION MODEL

The purpose of this section is to develop a general model that explains the process of PBM implementation. The researchers believe that PBM implementation consists of three interconnected phases. Phase 1 is a process in which reasons of adopting a PBM system are presented and therefore the purposes of PBM are determined. This process should involve groups who participate or have great interests in PBM. The exchange of ideas and information among the groups helps articulate the goals of PBM and solicit supports critical for PBM implementation.

In the second phase of implementation, a thorough evaluation is conducted to assess tasks in PBM and the capacities required to complete the tasks. PBM implementers match their core capacities with these tasks to pave the way for finding strategies perceived to be most effective in achieving PBM goals. In the last stage of implementation, a list of implementation strategies are developed and implemented. Ideally, a monitoring system is set up to consistently evaluate the implementation. This model of implementation is depicted in the following graph.

Graph 1. A PBM Implementation Model

<table>
<thead>
<tr>
<th>Purpose Determination</th>
<th>Capacity Evaluation</th>
<th>Implementation Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>(What should be done?)</td>
<td>(Can we do it?)</td>
<td>(How to do it?)</td>
</tr>
</tbody>
</table>

PURPOSES OF PBM

There are four major purposes of PBM – for planning, resource allocations, daily management decision-making, and showcasing. Performance information can enhance the planning process by helping an organization specify its goals, quantify its objectives, develop its performance expectations, and assess the implementation of the plan. Performance information can be integrated in an organization’s long-term plan and performance management can serve as a major mechanism to evaluate the planning process. Another purpose of PBM is to collect performance information and to present it in the process of
allocating an organization’s resources. In the budgeting process, performance information can be included in budget requests, and it can also be used by elected officials to specify their target of service.

When a performance goal is developed, managers can use it to develop plans or practices in daily management and decision-making. For example, staffing decisions can be made based on the need to meet performance standards in a specific task. Decisions to adjust an organization’s service delivery structure can be made on the basis of meeting performance outcomes. Also important is the possibility to use performance information in evaluating individual employees’ job performance and to make employment-related decisions such as hiring and firing.

Of course, performance information can be and should be used to demonstrate performance outcomes, and by doing so, an organization gains supports and feedback from stakeholders on its goals and service quality. It is important to note that showcasing, which is not necessarily a negative term, occurs not only between an organization (or administration) and its customers, but also among managers within an organization. In fact, because performance information is often understandable in general, communication can be significantly enhanced with use of it.

It is vital for an organization to specify the purposes of its PBM. Purpose determination gives a sense of direction of PBM, and such direction is imperative for assessing implementation capacities and strategies. It is also crucial for an organization to evaluate the success of its PBM. Nevertheless, purpose determination is not an easy task for many organizations because of ambiguity of PBM mandates. In order to achieve an efficient and convenient implementation, it is recommended that an organization starts its PBM with a less ambitious goal. For example, use of performance information in resource allocation decisions is considered technically difficult, while showcasing of performance information will be easier as long as information collected is accurate.

Purpose determination is a prelude to evaluating capacities of PBM implementation. As suggested above, different purposes of PBM indicate different levels of PBM requirements, and therefore different implementation capacities. For example, an effort to incorporate performance standards into resource allocation decision-making requires consensus and supports from decision-makers such as managers, elected officials, and maybe taxpayers. In addition, performance-based resource allocation decision-making also poses a technical challenge for decision-makers to identify the relationship, if not causation, between such decisions and performance goals. The performance measurement literature suggests that this relationship can be extremely difficult to establish. In contrast, the only requirements for performance showcasing are data accuracy and presentability. The relationship between performance and an organization’s decision-making, although implied in such showcasing, is not explicitly required. In sum, different purposes of PBM suggest different levels of capacities to carry them out.

CAPACITY EVALUATION

After the purposes of PBM are determined, efforts should be made to evaluate capacities to implement the PBM system. The performance measurement literature indicates that three kinds of capacities may influence PBM implementation—stakeholder support, technical competency, and cultural accordance.

STAKEHOLDER SUPPORT

In government, the PBM implementation is not only a managerial effort to improve services, but also a political initiative to shape up agenda. Government stakeholders with different interests may take different positions in supporting, meddling, or opposing it. Those who expect benefits from PBM would support it, while those perceiving harm would oppose it. Many others adjust their positions according to their changing interest in PBM. Stakeholders with same interests formulate groups in searching common benefits from PBM. Stakeholder groups in a governmental setting include managers, elected officials, citizens (or clients, customers), the union, individual workers, and other interest groups.
Acquirement of stakeholder support is critical for the success of PBM implementation (Wang and Berman, 2001). In the US system, elected officials decide on the financial resources and the budget needed for PBM. It is hard to image a successful PBM implementation without financial support. Elected officials are also major users of performance information. Managers take major responsibility in designing, implementing, and evaluating PBM systems. Workers carry out the implementation and report the results. Citizens or client groups are potentially the major users of performance information and should provide feedback important for PBM. Ideally, support from all these stakeholders should exist and sustain for the success of PBM.

To acquire support from stakeholders, a PBM system must attend to the interests of stakeholders. They must perceive a positive value as the result of PBM implementation. Performance information generated in the PBM system must be easy for elected officials or general public to understand and to use. The information must also be meaningful for managers in decision-making. Individual workers’ fear that PBM is another managerial attempt to punish them must be eliminated, and their responsibility for accountability should be enhanced.

Stakeholder participation is perceived to have positive influence on PBM. This is the concept of participatory PBM. Wang and Berman’s study discloses that elected officials’ participation is positively associated with the use of outcome measures in US country governments (2001). Participation allows stakeholders a chance to understand the value of PBM and realize the benefits of its implementation. It also gives them opportunity to express their expectations for PBM. The result of participatory PBM is a greater consensus on the purposes, uses, and potential benefits of PBM among stakeholders. With potential benefits perceived by stakeholders, their support for PBM is expected. Significantly, to reap all benefits of participatory PBM, stakeholder involvement should be emphasized at the beginning stage of PBM design and the involvement should sustain throughout the whole implementation and evaluation process.

Technical Competency

PBM technical competency refers to the ability of a PBM system to produce valid and reliable performance information. Three elements are often considered in evaluating technical competency of a PBM system – measurement system integrity, sufficient analysis, and adequate and consistent resource support.

Measurement system integrity is critical in PBM technical design if valid performance information is to be achieved. System integrity requires that performance goals be clear and quantifiable, and that measures be valid, reliable, specific, and tailored to organization missions. It also requires that performance data be accurate and be collected in a timely fashion for analysis.

Sufficient analysis is needed for PBM to produce meaningful information. A decision should be made on the unit of analysis (PBM for an program, an activity, or an organization). Analysis tools should be proper. The level of performance analysis should be compatible with the requirement of PBM purposes. Descriptive analysis and presentation of major outcome measures may be sufficient enough for a showcasing PBM. But for budgetary allocation, the establishment of a possible causal linkage between performance measures and performance goals is necessary. The analysis to link individual performance and organizational performance is necessary for a PBM system that attempts to imply individual performance.

Development of technical competency is largely determined by adequate and consistent resource support that includes acquirement of staff capable of conducting performance analysis and availability of financial resources that are critical for the implementation and continuation of PBM. PBM training workshops and PBM consulting services provided by experts on how to do PBM may also contribute to the development of technical competency.

Technical competency is perceived to be critically important in PBM implementation. Lack of technical competencies is identified as one major cause of failure of many managerial reforms in the US such as Zero-based budgeting (ZBB), planning, programming, and budgeting system (PPBS). Specific
examples of lacking technical competencies include invalid measure development, unclear performance goal development, and lack of staff who can conduct performance analysis.

CULTURAL ACCORDANCE

When a PBM system is established, its implementation, and of more consequence, its sustainability are influenced by behaviors, beliefs, commonly-accepted values, and ways of thinking and conducting business among individuals in an organization. An organization is permeated by these cultural attributes through informal and unwritten rules and norms. Violation of these norms and rules by any individual or group often leads his/her isolation or desertion by the majority.

PBM requires a culture that accommodates its performance-centered doctrines. That is for organization members to talk about performance, think about it and, use it daily. Development of a performance-based culture requires that an organization overcome the influence of other cultures that suggest different organizational values. The examples of such non-performance cultures include seniority-based and relationship-based evaluation. We see plenty forms of these non-performance cultures in modern organizations. The cultural conflict generated by adoption of PBM is won only when the majority of the members in an organization adopt the performance-based norms.

Although stakeholder support and technical competency are important for the establishment of a PBM system, development of performance culture is critical for PBM sustainability. In sum, stakeholder support, technical competency, and cultural accordance are essential capacities for the establishment and sustainability of PBM.

IMPLEMENTATION STRATEGIES

A PBM user needs to develop an implementation strategy that takes advantage of its existing capacities. The strategy is the list of actions taken by the PBM user to apply capacities to achieve the PBM purposes. Based on the classification of capacities presented above, three distinctive but equally important strategies or their combinations can be developed. They highlight stakeholder supports, technical competencies, and cultural accordance.

A PBM system that involves all important stakeholders at stages of design, implementation, and evaluation has characteristics of a participatory PBM. The participation modes include formal processes of budgeting or strategic planning process, or informal meetings with key elected officials or citizen representatives. In these occasions, stakeholders’ expectations are solicited and included in discussions. Information exchange in these meetings serves the purpose of articulating PBM goals, expectations, costs, and benefits. The goal of participation is for stakeholders to achieve a consensus on these parameters of PBM and thus their support to PBM can be solicited. The PBM system needs to demonstrate net benefits to stakeholders for their commitment and supports. Also, participation is a continual process in all stages of PBM implementation to sustain stakeholder supports. Progress reports should be made available for stakeholders’ review. Periodic assessment on PBM implementation should be conducted with the involvement of key stakeholders.

Technical competencies refer to a PBM user’s abilities to develop clear performance goals and expectation, valid and reliable measures, data collection and management capabilities, and performance analysis abilities. A technically competent PBM user should have PBM-savvy staff and PBM training capabilities. Newly hired workers should go through the training. The term technocracy PBM is used in this article to indicate a tendency to emphasize the development of technical competencies in PBM implementation. It also implies ignorance of establishment of other necessary elements in PBM implementation, mainly the stakeholder supports and development of a PBM culture.

Efforts to develop a PBM culture require long-term commitment and sustained support of leaders in an organization. PBM training should be initiated to educate workers on the value and practice of PBM. PBM language should be used in organizational documents (i.e., budgets, strategic plans, financial reports) to encourage performance communication. A reward system based on performance should be
established for individual workers to perceive the real benefits (and costs) of PBM. Accounts of successful PBM should be promulgated among workers to encourage performance comparison. Speakers on PBM should be invited to give presentations on PBM. The above are just a limited list of cultural-building strategies. The overall idea is to instill PBM value into organizational blood – the mind of each individual in the organization.

A THEORY OF IMPLEMENTATION STRATEGIES: PBM WITH CHINESE CHARACTERISTICS

In this section, we attempt to develop a theory about PBM implementation strategies in China. We argue that the Chinese PBM is characterized by technocracy PBM with limited stakeholder participation.

LACK OF STAKEHOLDER PARTICIPATION

The Chinese PBM is part of its economic reform designed to transform China’s centralized planned economy to a market-driven one. The economic reform started in the late 1970s, evolving from an initial effort of decentralization of the government and agriculture to gradual transformation of state-owned enterprises and governmental institutions. The overall purpose of the reform is to improve efficiency and effectiveness of the Chinese economy. As the essence of PBM is to enhance efficiency and effectiveness in organizations, which is consistent with the overall goal of the economic reform, PBM was quickly adopted by Chinese institutions in various forms such as “streamlining institutions” (Jing-Jian-Ji-Gou) in governments and “performance-based evaluation or PBE” (“Ji-Xiao-Gua-Goo”) in state-owned enterprises.

Nevertheless, these reforms see limited stakeholder participation as governments adopted a top-down implementation strategy in which a limited number of decision-makers, most likely at the high level of governments, are responsible for initiation and planning, while the majority of workers and officials play a role of implementers. Stakeholders’ opinions are not consistently solicited, or if they are, are not fully considered in implementation. Several reasons may explain the lack of stakeholder involvement. One is the perception that the interest of an individual or a group is often consistent with that of the majority, and if not, the former should obey the latter in the name of ‘majority rule’.

In China, the value of a reform is often justified through emphasis on an alleged interest of an entity as a whole, often in the form of an agency, an organization, or a nation, instead of individuals’ interests in the entity. As the interest of the entity is composed of individuals’ interests, both are in agreement in the context of the reform. However, the political and economic interests of the entity are clearly outweighed over an individual’s (or a group’s) when they are in conflict. In China, executive administration or the communist party units are often regarded as representing the interest of the majority. Unions do exist and perhaps serve workers well when the workers’ interests are in harmony with that of the whole organization. However, unions are not seen as a real balance of the power of the administration or the party unit when workers’ interests are in discordance, or in many cases in conflict, with the administration’s or the party’s interest.

In PBM, decision-making power is redistributed, and operational structure is reorganized, unavoidably affecting the interests of groups in an organization. True representation of different groups whose interests are affected in the PBM process warrants the consideration of the interests so the implementation of the reform can be smoothed with potential resistance being minimized. By the same token, lack of such interest representation causes clashes in PBM implementation. The reform package with absent or limited stakeholder involvement is likely to generate dissatisfaction among employees and low level public officials, who can come up with their ways of dealing with the reform. In China, this phenomenon of indirect resistance in someone’s own way is called “the policy is dealt with own practices” (Shan You Zheng Ce, Xia You Dui Ce). The lack of conciliation among different groups erodes stakeholder support necessary for PBM.
DEVELOPMENT OF TECHNICAL COMPETENCIES

With consistent support from high levels of government and extraordinary capacities of the Chinese government in mobilizing resources in the name of serving national interest, the Chinese PBM always has sufficient financial and technical resources for design and implementation. In reforms, performance goals and measures can be quickly identified or developed. Resources are mobilized to support the reforms. Financial resources and human expertise are concentrated and developed in PBM implementation and analysis. This article hypothesizes that, faced with a political mandate and a system that lacks stakeholder involvement, the Chinese PBM largely relied on the technical competencies to implement.

TWO DIFFERENT VALUE TYPES

There are two types of values in the Chinese culture that seem to be associated with PBM implementation. One emphasizes the spirit of entrepreneurship and adventure that has helped China achieve economic development in the past two decades. This value system seems to be consistent with the essence of PBM, which encourages the reward for achievement.

On the other hand, the Chinese also respect seniority and like personal relationship-building. These values are not consistent with, and in many cases contradictory to the values of PBM. Seniority is a symbol of having experience. Respect of seniority is rooted in the belief that experience represents rightness, and the experienced ones represent powers. Seniority as a criterion conflicts with the essence of performance-based reforms, as experienced ones may not perform. Development of personal relationship is a particularly useful venue in Chinese society. Keeping a good relationship with those who have power often reaps significant benefits. Nevertheless, injecting personal relationship in management practice is detrimental to the value of PBM which emphasizes the reward for performance, not relationship.

PBM IN CHINA POST: A CASE STUDY

China Post is a state-owned utility enterprise. It is responsible for the construction and operation of the postal network, and universal postal service nationwide. Its headquarter is State Post Bureau that administrates the postal network nationwide. It has local post bureaus in provinces, municipalities, counties, districts and townships.

China Post has implemented several PBM reforms since the 1980s that include Performance-Based Wage (PBW or Guong-Xiao-Gua-Gou) in the 1980s and Performance-Based Evaluation (PBE or Xiao-Ji-Kao-He) in the late 1990s. Both reforms were designed to link wage and benefits of postal workers with organizational performance measures in order to control the cost. PBE is built on the lessons learnt from PBW and has more implementation details. One very recent PBM effort in China Post was the attempt to adopt the Balanced Score Card based on the past PBM experiences (See Notes 1 and 2 for a more detailed discussions of these reforms). Thus, it is generally believed that China Post has implemented PBM in a systematic manner, and the study of such efforts can teach valuable lessons.

In the first quarter of 2004, researchers conducted a study of China Post in Zhejing Province, one of the few frontrunners in economic development and postal revenue in China. The purpose of the study was to provide initial empirical evidence on the use of PBM implementation strategies in China. The study includes an in-depth survey that asks a list of questions on PBM implementation strategies. The survey solicits written comments from respondents on these strategies to validate and enrich the responses. Follow-up communications were also established to confirm the responses. China Post has three layers of services in a province (equivalent to a state in US) – the provincial post bureau, city postal bureaus, and district/county postal bureaus. Eight postal officials at leadership positions in their organizations participated in the study. Two respondents are from the provincial post bureau, three from city postal bureaus, and another three from district/county postal bureaus.
WHAT MEASURES ARE USED AND WHY THEY ARE USED?

The survey asks a list of questions on use of performance measures, purposes of PBM systems, and implementation strategies. Many questions are open-ended to solicit respondents’ written comments. The response indicate that financial measures and customer satisfaction measures are used in PBW and PBE, while performance measures inside organizations such as measures of service reliability, efficiency, and employee satisfaction measures are not used. For example, none of respondents indicate the use of employee satisfaction measures in their organizations. This finding suggests a difference from the US PBM system where internal performance measures are much more prevalent than customer satisfaction measures (Berman and Wang, 2000, Poister and Streib, 1999).

Most respondents believe that performance measures (i.e. financial measures and customer satisfaction measures) are used for establishing goals for services, monitoring the service efficiency and effectiveness, and determining employee salary and benefit. Respondents also indicate the use of financial measures in making funding decisions. Nevertheless, they do not perceive the use of performance measures in communicating among managers and between governments. This finding is different from that in the US where performance measures is often used for communication, not for making critical management decisions such as performance-based funding (Wang, 2000).

WHAT IMPLEMENTATION STRATEGIES ARE USED?

Respondents indicate that various stakeholder groups participate in PBM. Administrations, party units, unions, and workers are involved in PBM. The only stakeholder group that is not involved is customers. Nevertheless, an examination of respondents’ comments suggests different roles of stakeholders in PBM. Administrations play a critical role in PBM as they draft the policy, organize discussion, and make final decisions on implementation issues. They are also responsible for monitoring and modifying the implementation.

Party officials’ responsibilities are in supervision and monitoring. The party committee may decide to discuss the draft and organize party members’ support for the reform. The committee may decide on taking a vote on the final draft of the reform to show solidarity of support and instill a sense of legitimacy to the reform. The union participates mainly through a vote of its representatives on a PBM draft. A majority of members in the Committee of Worker Representatives need to approve the draft as expected. Some respondents indicate individual employees’ participation through the union.

These findings seem to suggest that the channels of a participatory PBM exist in China’s PBM. To understand the level of the participation and how it works, the researchers designed a survey question in which respondents were asked to make decisions based on a hypothetical scenario. In the scenario, some higher level officials recommend to close a postal branch because it is in deficit. Respondents were asked to select from a list of strategies to deal with the recommendation and explain the rationale of their selections. The strategies include some that require skills critical for participatory PBM, and some that do not. The finding is shown in the following table.

The data below show that the majority of respondents choose non-participatory strategies, indicating that involvement of stakeholders may be limited when it comes to making critical organizational decisions. When asked for the rationales of their selections, one respondent points out that elimination of an unprofitable branch is to protect the interest of the majority of employees in the organization. Another commented that a consistent support for decisions made by higher-level governments, unwillingness to pass over issues beyond the management, and doubt on the effectiveness of approaches that involve other stakeholders. One respondent elaborated:

The union’s responsibility is to protect the interests of the workers, and closedown of the unprofitable branch is consistent with the interest of the organization as a whole and the interest of the majority of the workers.
Table 1: Selection of Participatory Strategies

<table>
<thead>
<tr>
<th>Strategies</th>
<th>% of Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participatory Strategies</td>
<td></td>
</tr>
<tr>
<td>(1) Involving individual employees in the branch in fighting for the recommendation</td>
<td>0.0%</td>
</tr>
<tr>
<td>(2) Persuading the higher level officials to change mind</td>
<td>12.5%</td>
</tr>
<tr>
<td>(3) Involving the workers’ union in fighting the recommendation</td>
<td>0.0%</td>
</tr>
<tr>
<td>(4) Involving the party unit in fighting for the recommendation</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other Strategies</td>
<td></td>
</tr>
<tr>
<td>(1) Preparing data to demonstrate that the branch has a chance of improvement in the future</td>
<td>37.5%</td>
</tr>
<tr>
<td>(2) Following the recommendation, but quietly reallocate the workers to other branches</td>
<td>62.5%</td>
</tr>
<tr>
<td>(3) Following the recommendation, and promise the laid off employees for rehiring in the future if possible</td>
<td>75.0%</td>
</tr>
<tr>
<td>(4) Following the recommendation, but use attribution</td>
<td>50.0%</td>
</tr>
</tbody>
</table>

The data also indicate that technical capacities in the reform are well-developed. All respondents except one (or 87.5%) indicate that their reforms have developed clear performance goals. They have valid performance measures to assess performance; and they have set aside resources for reforms (62.5%). The majority of respondents indicate that they collect reliable performance data (62.5%), that they can conduct performance analysis of root causes (62.5%), and that their performance analysis of organizational performance can be associated with analysis of individual performance (62.5%). It is surprising that half of respondents (50%) indicate that the linkage between organization performance and individual performance established in the reform is objective and reasonable. This finding is completely different from the experience in the US where such linkage is believed to be very difficult to develop and sustain.

Finally, there is no evidence that a performance-centered culture has been established or advocated in the PBM implementation. No respondents comment that they have systemically trained staff to conduct performance analysis.

SUMMARY

This study examines an implementation model of PBM. Using a case in China Post, it furnishes initial evidence supporting the argument that the Chinese PBM is characterized with a technocracy PBM in which technical capacities are developed and sustained. In the Chinese PBM, clear performance goals and valid performance measures can be developed, and individual performance are linked to organizational performance. Resources are available for PBM.

On the other hand, the Chinese PBM system doesn’t seem to stress the practice of participatory PBM, although the channels of stakeholder participation do exist. Administrations still play a critical role in designing and implementing the reforms. The involvement of unions, party officials, individual workers are supplementary. When the time comes to make a critical performance-based decision, administrations often seek to solve the issue within their authority, not to endeavor to solicit a broader range of political support.
Why limited participation? The authors argue that the limitation of participatory PBM is partly rooted in the fact that stakeholders are not independent entities in Chinese economy. The interests of stakeholders are believed to be interrelated, not contradicted, so decisions made by one stakeholder group are not inconsistent with interests of others. When the reform does negatively affect a group, it is often portrayed as a minority whose sacrifice is justified by the net gain of the majority.

What is the impact of limited participation? The PM literature has suggested that both technical capacities and stakeholder support are necessary for the success of a PBM reform (Wang, 2001). Stakeholder support is also associated with sustainability of a PBM reform. Lack of political support as the result of limited stakeholder involvement may not take an immediate toll on a PBM system but will incur a long-term damage for the continuation of the reform on a full-fledged scale.

NOTES

1. Performance-Based Wage (PBW or Guong-Xiao-Gua-Go)
PBW was initiated in the 1980s in China Post under the management of State Owned Enterprises (SOE). It was intended to control cost by linking wage growth with performance measures such as growth rate of whole national postal revenue. In PBW, postal bureaus adopt Labor Quota Management, which sets work requirement for a position, labor quantity for positions and units, and wage base for units.

2. Performance-Based Evaluation (PBE or Xiao-Ji-Kao-He)
Based on the experiences of PBW, PBE was adopted in 1999 after the reorganization that severed China Post with China Telecommunication Company. China Post was losing money at the time and was required to break even within three years. In PBE, profit is calculated and is used as an important indicator for each postal unit. In addition, customer satisfaction and productivity measures are also collected and analyzed. The linkage between profitability and wage is established in PBW. Part of employee wage and benefits are determined by profitability and hiring/firing decisions are also influenced by the financial performance of an organization.

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Crisis Management Ability: Challenge and Choice in China

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In this paper I will focus on three aspects – the new challenges government management is confronted with, the current situation of crisis management in China, and my viewpoints on how to improve the crisis management performance.

NEW CHALLENGES GOVERNMENT MANAGEMENT FACED WITH

Nowadays, a great variety of accidental incidents, or in other words, calamities, emergencies, and crises, are happening in completely unexpected ways. Among more and more frequently occurring incidents are: the Mad Cow disease in Britain, nuclear leakage at Chernobyl in the former USSR (now Ukraine), September 11th Terrorist Attacks in the USA, and the train explosion in Spain. These disastrous incidents bring great loss to humans lives and property, cause damages to the environment, economic development and public safety. Governments of all countries around the globe are confronted with the same challenges including how to efficiently respond to the crisis, and to implement effective crisis management, so as to prevent and reduce the negative effect of the crisis.

China is a large country with rapid development as well as many disastrous incidents. Various calamities occurring in China show a trend of increasing diversification, normalization, complication and upgrading. I will specify the four trends respectively.

First, Diversification of Types of Accident

In modern society, calamities are generally divided into three groups: natural calamities, accidental disasters and social safety events. The occurrence of these disasters is increasing steadily in China as in other countries. Natural calamities include high temperatures and heat waves, sand and dust storms, seawater moving backward, land subsidence, and water shortage. New kinds of accidents include engineering accidents, chemical pollution, biological invasion, accidents of communication, power, water and gas supply, and network. As for social safety disasters, we have hi-tech crimes, transnational crimes and new infectious diseases. The traditional emergency measures turned out to be helpless in solving these new disasters, therefore we need to develop new and effective measures.

Second, Common Occurrence of Accidents

It is reported that over 70% of the population and 80% of cities in China are severely threatened by various natural calamities. Each year, thousands of lives are claimed in typhoons, inundations, landslides, and debris flows. An average of 7.2 incidents takes place everyday around the country. This indicates that emergency management of government should be professionalized.

Third, Complication of Accident Form

Complication here means that one kind of calamity causes a chain action so that some other sorts of incidents and influences ensue. For instance, an earthquake will result in some serious accidents and

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1 Mr. Pu Shurou: Public Security, OUTLOOK NEWS WEEKLY, the eighth period on Feb 23rd, 2004
social safety incidents such as fire, interruption of communication, social turbulence etc. For example, the SARS incident that happened last year in our country was not only a public health concern, but also raised concerns in the fields of economics, society and politics. So the current situation requires the government to respond to these complicated crises more effectively.

Last, Upgrading of Accident Loss

With the economic growth and the increase of city scale and population, accident cause greater losses than they did before. Take economic loss as an example, in the early 1980s, the direct loss caused by fire accidents each year is CNY 0.3 billion; the number tripled to CNY 1 billion in late 1990’s. The loss of all calamities each year amounts to CNY 650 billion, equal to 6% of the GDP\(^2\). There is no doubt that the upgrading of loss brings a new challenge to the crisis management capacity of government.

THE ANALYSIS OF CHINA’S CURRENT SITUATION OF CRISIS MANAGEMENT

We can evaluate a country’s crisis management capability from different angles, such as political desire, legal system, management mechanism, scientific and technological development, facility construction, and education and training. In the following, I will analyze three aspects of government emergency meeting, namely, system, mechanism and legality.

The Chinese government has formed a system of “government leadership and separate duties” during the long-term process of emergency meeting management in the past. The emergency meeting mechanism is that all levels of government are assigned specific responsibilities. The legal outline of calamity reduction and prevention was formed with the enforcement in succession of many rules and regulations, such as earthquake hazard control, flood prevention, fire fighting, police, state security, anti-epidemic and safe production. With such a system, mechanism and legality, we have conquered a lot of calamities and accumulated experience in coping with crises.

On the other hand, the management mode of emergency meeting has some problems and weaknesses that are becoming more serious in current situations. Some of the problems are listed below,

1) Some government sections pay more attention to the per capita growth of GDP, and attach little importance to public security safeguard and urgent aid service. Relevant resources are in short supply, such as financial support, facility construction and training and education.
2) In the crisis management, there are problems such as responsibility ambiguity, supervision disjoint and inadequate coordination. For instance, the communication and sharing between the information systems of government departments and enterprises is insufficient.

Fortunately, our crisis consciousness has greatly advanced especially after we conquered SARS last year, and we have made great progress in enhancing the capability of crisis management, especially in the following five aspects.

Regarding the function conversion of government, Premier Wen Jiabao indicated specifically in this year’s government work report that the government should completely perform its functions, quickly establish and strengthen the mechanism of dealing with all sorts of accidental events so that the government power of dealing with public crises can be boosted. Presently, governments at all levels have put the emergency-meeting system establishment into the layout of ELEVEN FIVE Planning.

The process of lawmaking for emergency meeting management is accelerated. A series of rules and regulations have been enacted such as the public health emergency meeting act and the temporary measure of daily necessities emergency meeting management. The setting up of some other relevant laws and rules are being processed.

\(^2\) Refer to REFERENCE INFORMATION of Mar 15\(^{th}\), 2004
Some large and middle-scaled cities such as Shanghai, Shenzhen, Nanning and Chongqing are beginning to set up new modes of emergency management. Take Nanning as an example; it is the first city in China to establish an Emergency-meeting Center. The Centers in Nanning are now providing 24 hours’ emergency aid service to the citizens. Despite some problems with the Nanning Mode, such as high costs and lack of legal safeguards, its innovation is impressive and promising.

Further more, the responsibility system has been shaped. This year, some officials were punished or deposed due to their malfeasance in serious accidents.

We have made greater progress in information publicity. The Chinese press reported all the public accidental events in a timely and objective way. It is impossible now to only report positive things and neglect negative incidents as before. For instance, the media gave full coverage of emergency meeting management when Bird Flu broke out this year.

MEASURE CHOICE OF FULLY IMPROVING CAPACITY IN CRISIS MANAGEMENT

Considering our actual condition and learning from the experience of other countries, I think the ability should be advanced from five aspects listed below.

Arrange the resources of crisis management comprehensively

It is necessary for the government to integrate resources and plan as a whole strategically, and especially to put construction of a crisis management system into a policy frame to comprehensively heighten the power in dealing with emergency. Specifically, the government ought to collocate and integrate such factors as organization system, financial support, facility constructing, technical support, material equipment and personnel training so that an efficient system of coping with various calamities and crisis can be framed.

Quicken the step in establishing incorporated crisis management system

With regard to systems, there are two different viewpoints and modes. One claims that all kinds of calamities should be coordinated and dealt with by an integrated special institution such as the Federal Urgent Affairs Management Office, Country Safety Ministry of USA, Exigency Ministry, Emergency-Meeting Management Center of Australia, and Civil Protection Bureau in New Zealand. They all perform the function of communication and coordination among different sections and levels and possess the advantage of resource-sharing, efficient coordination and integrated administration. The other contends that different kinds of calamities should be supervised and coped with by different executive departments, which takes on the advantage of definite division of responsibilities and stronger specialization. There is much debate as to which one is better. Recently, the Federal Citizen Protection Bureau was founded in Germany to coordinate in urgent affairs. Some German experts argue that it is not necessary to have an agency to intervene the events other organizations are answering for. In regard to the above-mentioned Nanning Mode, Chinese specialists and scholars also have different opinions. We think the more reasonable choice and also the trend, is cross-sectional, integrated crisis management. Presently, our proposal is to found one or several comprehensive institutions at central or provincial levels to coordinate crisis management, to set up in large and middle-scaled cities a practical emergency management center or an organization responsible for preventing and reducing calamities consisting of relative organizations and institutions of public security, fire fighting, medical aid, environment protection, city planning, civil administration and the press, which handle and deal with all sorts of emergencies and provide urgent aid service. As far as the relationship among different levels are concerned, it is reasonable to widen the responsibilities and jurisdiction of local institutions for coping with emergent events of local governments of all levels, and the higher level government can supervise and intervene only when it is difficult to handle and solve the crisis.
Establish and furnish emergency-meeting mechanism

In order to increase the response ability and cooperation power, the main measure is establishing emergency-meeting mechanism. Government should set up a communication mechanism for information sharing, early warning mechanism for classified risk, linkage mechanism for response of different levels and quick action, interaction mechanism for cooperation between government and society, and speedy and efficient decision mechanism and cooperation mechanism for communication between government and international society.

Implement more comprehensive and integrated crisis management

Integrated emergency-meeting management means there are four stages in the whole process – preventing, preparation, responding and recovering and taking corresponding measures. It is essential to frame a comprehensive crisis management.

Integrate crisis management into field of society

Government plays an important role in the process of crisis management, it is also essential for society to be supportive and cooperative. One of the important experiences of the United States International Calamities Reducing Organization is the social partner relationship. So the resources from grassroots organizations are the key to success in coping with emergency. Therefore, it is essential to integrate community, social organization and enterprise into the frame of crisis management.
Managing the Water Crisis in Malaysia: A Practical Approach

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University of Malaya, Malaysia

INTRODUCTION

Most crisis lessons are heavily borrowed from research in the area of political science and extended in different disciplines. There are multidisciplinary definitions of crisis advocated by researchers and they are classified according to the different methodologies and various theoretical frameworks like decision-making, the concept of crisis and causes of crisis. Generally, a crisis is a turning point in an emergency where the direction of future events is determined. It is also where one cannot manage using normal or standard operating procedures. This means that it is an unexpected situation with dire consequences that quickly becomes unmanageable through normal practice. In view of such inherent situations, managing crisis will not be easy. There is a limited amount of data on crisis events even though the impact of crises is far-reaching such as proliferation of weapons of mass destruction and its heavily linked crisis situations like ethnic conflict, nuclear technology development and manifestation of other destructive or disruptive events. This paper focuses on the incident of a public utility facility that caused extensive disruption that involved multiple stakeholders, rather than the economic market oriented business crisis literature, particularly in Malaysia. This objective is achieved through a review of the literature and the practical actions undertaken during the crisis by the respective stakeholders and the aftermath that shaped the impact upon the local authority and the society at large.

WATER NEEDS

Water is essential to the life of every human being. It is true that awareness and concern about water has grown considerably, globally and locally. In Malaysia, investments in water and sanitation projects involving private participation from 1990-94 was US$ 3,977 millions and this number decreased to US$1,116 millions for the period 1995-2000 (World Bank, 2002). About 1.7 billion people, a third of the developing world’s population, live in countries facing water stress (defined as countries that consume more than 20% of their renewable water supply each year) and this could increase to 5.0 billion people by 2025 (Human Development Report 2003). This limited access to water, conflicts over water use and distribution can weaken the development prospects of many countries and cause disputes. Moreover, water systems tend to be poorly maintained in rural and semi-urban areas. In addition, by 2015, the target is to reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation. This situation is indeed alarming. Hence, this would envisage a doubling of investment needs from US$15 billion to US$30 billion per year for water supply and sanitation alone to achieve the Millennium Development Goals (Goal 7), as can be seen in Figure 1.

From Figure 2, domestic public finance remains the dominant source of water and sanitation. Even though public-private partnerships in water and sanitation have grown substantially through the early 1990s and peaked in 1996, international private financing for water has declined and will keep declining due to the discouragement of the scale of investments required. In fact, sustained service provision is encouraged through local communities and firms (public and private) (Human Development Report 2003). In Malaysia, the privatized projects of water supply is through three methods of privatization as depicted in Figure 3 via privately negotiated deals between pre-selected private firms and the Government. The pursuit of efficiency, besides reducing the financial burden of the government, as one of its objectives is questionable as these privatized projects of water supply, in this context, are

not accompanied by competitive restructuring of the water supply in the market. States that have privatised part or all of their water industries were experiencing the water crisis as evident in certain states. The method of providing water in Kuala Lumpur, and in Malaysia in general, allows private monopolies to extract the water while state governments distribute it.

Figure 1: Investment needs for water supply, sanitation and wastewater treatment
(Source: OECD Global Forum on Sustainable Development, 2003)

Figure 2: Public-private financing of water
(Source: OECD Global Forum on Sustainable Development, 2003)
Figure 3: Privatization of Water Supply in Malaysia

<table>
<thead>
<tr>
<th>Water supply</th>
<th>Year Privatized</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labuan Water Supply</td>
<td>1987</td>
<td>B-O-T</td>
</tr>
<tr>
<td>Ipoh Water Supply</td>
<td>1989</td>
<td>B-O-T</td>
</tr>
<tr>
<td>Larut Matang Water Supply</td>
<td>1989</td>
<td>B-O-T</td>
</tr>
<tr>
<td>Sungai Selangor Phase II</td>
<td>1995</td>
<td>B-O-T</td>
</tr>
<tr>
<td>Sungai Selangor Dam Phase III</td>
<td>2000</td>
<td>B-O-T</td>
</tr>
<tr>
<td>Semenyih Dam</td>
<td>1987</td>
<td>Management Contract</td>
</tr>
<tr>
<td>Maintenance of Tube Wells, Labuan</td>
<td>1988</td>
<td>Management Contract</td>
</tr>
<tr>
<td>Johor Water Authority</td>
<td>1994</td>
<td>Corporatization</td>
</tr>
<tr>
<td>Pulau Pinang Water Authority</td>
<td>1994</td>
<td>Corporatization</td>
</tr>
<tr>
<td>Terengganu Water Authority</td>
<td>1995</td>
<td>Corporatization</td>
</tr>
<tr>
<td>Melaka Water Board</td>
<td>2000</td>
<td>Corporatization</td>
</tr>
</tbody>
</table>

BACKGROUND TO THE WATER CRISIS IN 1998

Role of the authorities

When the water crisis dawned on several states in Malaysia that include Selangor, and Kuala Lumpur, to a large extent, and Negeri Sembilan, Melaka and Penang, to a smaller scale of population in 1998, a large part of the society was seriously affected, mainly the industrial area, fisheries, urban area, recreational area (hotels and tourism industry) and irrigation area even though water supply shortages have occurred occasionally in many parts of the country in recent years.

Prior to the crisis, the Selangor State authorities had been warned repeatedly on over-logging issues and their effect on the destruction of water catchments since the National Water Resources Study was completed in 1982. The restriction on excessive logging was again repeated by the Selangor Forestry Department in 1991. In 1995, the Selangor Waterworks Department projected a severe water shortage from 1997, but nothing much of project management was done to handle these risks when and if they were to arise then.

In another state, Penang, local authorities have approved the Penang Hill Structure Plan in 1997 which would affect a significant portion of the local water catchments. This project was shelved for seven years due to prior objections from Non Governmental Organizations. Due to the hill development and deforestation of Penang Hill, Paya Terubong Hill and other hills, water resources were being depleted and flash flooding incidents increased.

Similar incidents in Durian Tunggal in Malacca in 1991, destruction of water catchments in the Lojing Highlands in Kelantan in 1997, the ammonia pollution in the Langat River in Selangor in March 1998 and the diesel spills into a raw water canal at the Public Works Authority pump station in Sungai Dua plant in Penang in 1998 also had their fair share. The destruction of water catchments and the siltation of the lake in Cameron Highlands through usage of pesticides, and chemicals from fertilizers that flowed into the soil and the water system showed that development and profits overshadowed conservation of the environment. This situation is further aggravated with illegal farming and squatting in the hills, and deforestation activities play a vital function in retaining the rain water. Without the forest, water catchments are destroyed and the water situation can be exacerbated by El Nino conditions.

El Nino Weather

Many natural disasters such as forest fires, haze, drought, flood and water shortages were associated with the El Nino years of 1997/98. The rainfall was below average as shown in Figures 5-6.
The local authorities such as the Works Ministry, State Government and Water Authority have blamed the climate for the side effect. This might be partially true, but these authorities could have dealt with the issue more effectively to manage the sudden, urgent and uncertain situation, including considering the probability of occurrence, making a pre-emptive crisis management and formulating a crisis plan.

**Water Loss and Wastage**

Non-Revenue Water (NRW) or water that is lost either through breakage, theft, seepage or other unaccountable ways is one issue that often goes hidden as the water authorities and water companies deliberately concentrate on increasing supply instead of reducing NRW. The private water companies are not concerned with the NRW because they charge the government what they treat at the treatment source. NRW occurs only after it has left the treatment plant, and thus it is not the water company’s problem. Besides, the earth works and large-scale water mains/pipes replacement project would also cause considerable inconvenience to the public and a significant water loss in the process. The national NRW rate averaged at 40% in 1995 (Eighth Malaysia Plan, 2001). Twenty per cent is due to burst pipes and leakages, water theft (12 per cent), faulty meters (eight per cent), pipe cleaning and water used for fire fighting (two per cent). However, this phenomenon of water leakage is internationally recognized. Moreover, all pressurized distribution systems deteriorate with time, and some incidence of leaks and bursts is inevitable.

Water theft is another issue. One news report mentioned that a company had been alleged to be stealing water for two years prior to 1998 from the mains in Bukit Kamunting, Shah Alam at a rate of 450,000 litres a day (Sun, 16 May 1998). Another sports and recreation club in Klang was caught stealing water from a fire hydrant to fill its swimming pool (Sun, 22 May 1998) and it was only fined RM500 for misuse of water but not charged in court. The punishment meted out was not in tandem with the offense but instead let off lightly by merely installing meters to the illegal connections. These are just some of the cases revealed and make known to the public.

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**Figure 4: Comparison between Demand & Supply Of Water**

![Graph showing comparison between demand and supply of water]

Source: Selangor Waterworks Department Report, 1998
Demand of Water Supply

Normal water demand, both for domestic and irrigation requirements, is easily calculated using the past records, the projected population expansion and agricultural development. Minimum water demands are defined at such levels so as to preserve a certain standard of living in cases of domestic supply, where in the case of irrigation supply, various criteria are used such as permanent or annual crops, consumers main activity, social, economic and other criteria.

Figure 4 shows the demand and supply of water resources in Selangor and Kuala Lumpur. The chart displays a reduction of water supply of 4% (105 million litres a day). The increase of 8.3% in demand was experienced in 1998 compared to the previous year and this was expected until the completion of the Sg.Selangor Phase II project by the end of 1998.

Drop in Rainfall and Drought

Figure 5 illustrates the drop in rainfall in Sg. Langat Dam. Total rainfall in 1998 for January until April was only between 12.9% - 81.6% as compared to the average for the years 1986-1997 and this is only 38.5% as compared to the same period whereby the sharp drop was in March 1998.

The same scenario was also experienced in Semenyih Dam where the sharp drop was in February and March 1998. The total rainfall in 1998 between January till April 1998 was only between 37.1% - 68.3% as compared to the average for 1986-1997 and this is only 50% for the same period.

Hence, the drought experienced in Malaysia during the duration had affected the reservoir level which kept falling to a critical level. The drop was about 9.5 m from 219.8 m to 210.3 m at Sg. Langat Dam whilst the Semenyih Dam dropped about 8.9m from 108.3 m to 99.4 m. This called for a reduction of raw water from the water treatment plant at Sg. Langat from 477 mld to 387mld and 417 mld for Semenyih Dam, which is ascertained according to reservoir control curves. This limited output from both the water treatment plants had caused rationing to be enforced according to time and day scheduled for each area in the Selangor and Kuala Lumpur territory.

Figure 5: Comparative Rainfall (1986-1997) and 1998 for Sg. Langat Dam

<table>
<thead>
<tr>
<th>Rainfall/Month</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>Jan-April</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max</td>
<td>102.3</td>
<td>252.98</td>
<td>393.95</td>
<td>383.2</td>
<td></td>
</tr>
<tr>
<td>Min</td>
<td>39.37</td>
<td>13.0</td>
<td>7.0</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>Average (mm)</td>
<td>72.3</td>
<td>109.3</td>
<td>192.2</td>
<td>233.7</td>
<td>607.5</td>
</tr>
<tr>
<td>1998</td>
<td>59.0</td>
<td>41.1</td>
<td>24.8</td>
<td>108.9</td>
<td>233.8</td>
</tr>
<tr>
<td>Comparative Average (1986 – 1997) and 1998</td>
<td>81.6%</td>
<td>37.6%</td>
<td>12.9%</td>
<td>46.6%</td>
<td>38.5%</td>
</tr>
</tbody>
</table>

Source: Selangor Waterworks Department Report, 1998
Figure 6: Comparative Rainfall (1986-1997) and 1998 for Semenyih Dam

<table>
<thead>
<tr>
<th>Rainfall/Month</th>
<th>January</th>
<th>February</th>
<th>Mac</th>
<th>April</th>
<th>Jan-April</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max</td>
<td>176.5</td>
<td>422.5</td>
<td>546.8</td>
<td>353.1</td>
<td></td>
</tr>
<tr>
<td>Min</td>
<td>39.3</td>
<td>15.5</td>
<td>47.2</td>
<td>176.5</td>
<td></td>
</tr>
<tr>
<td>Average (mm)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1986 until 1997</td>
<td>93.7</td>
<td>170.6</td>
<td>272.0</td>
<td>271.9</td>
<td>808.2</td>
</tr>
<tr>
<td>1998</td>
<td>53.3</td>
<td>63.3</td>
<td>102.0</td>
<td>185.7</td>
<td>404.3</td>
</tr>
<tr>
<td>Comparative Average (1986 – 1997) and 1998</td>
<td>56.9%</td>
<td>37.1%</td>
<td>37.5%</td>
<td>68.3%</td>
<td>50.0%</td>
</tr>
</tbody>
</table>

Source: Selangor Waterworks Department Report, 1998

Water Crisis Management Team

It was estimated that 1.8 million users from 690 housing estates in Selangor and Kuala Lumpur (Klang Valley) were afflicted by the water crisis. The advent of a crisis seldom do us harm, but it is the subsequent poor handling of it that can worsen the situation. As crisis is a fluid process, decision-making has to be fluid (Fink, 1986) and managing crisis will involve knowing how to make decisions (Fink, 1986). If time can be minimized on the process of decision-making and exercise of power to manage the situation, favorable outcomes are achievable.

Intense public discourse focused on how this crisis could have been prevented. The government has pursued privatization policies by selling state-owned enterprises to private operators to counter the widespread conviction that government operations are ineffective. Concerns about this have fuelled the privatization policy in Malaysia, to improve and reform the management at all levels of government. So, the question was if the water industry was not privatized, could the welfare of the public be changed?

**Selangor State Water Action Committee** was set up on 16 April 1998 to plan, implement and monitor all programs and actions in handling the water crisis. The committee also disseminated information to the public. Operations Rooms were set up at the headquarters of Selangor Waterworks Department and in every district for the purpose of:

- Monitoring and coordinating actions in handling water supply problems;
- Reporting every morning to the State Secretariat on the progress of production and distribution of water supply in affected areas.

**District Water Action Committees** were set up with these jurisdictions:

- Handling of water crisis at the various Operation Rooms;
- Efficiently manage the various available resources such as distribution of lorry tanks and static tanks of water supply to various residents in their respective areas;
- Provide information on water rationing and assistance to the public;
- Report and update on the production and supply of water every morning to the Chairman of the State Water Action Committee through video conferencing and meetings;
- Ensure a team-spirit working committee in taking speedy actions in handling complaints and working with the public through good communication at the district level.

**Reservoir Management Committee** to deploy aspects of operational management and professional expertise on the water releasing quantity from the reservoir for a critical period of crisis.
Seven brainstorming sessions were held throughout the period of crisis i.e. 31 Mac, 8 April, 13 May, 17 June, 29 June, 29 July and 4 September 1998. On those respective sessions, decisions were made on the implementation of water rationing and full utilization of raw water and the optimum release of water quantity according to the operating curve in tune with the limited water supplies. Figures 7 & 8 illustrate the drop in the reservoir level at Sg. Langat and Sg. Semenyih.

Figure 7: Operational curve at Sg. Langat Reservoir

Figure 8: Operational curve at Sg. Semenyih Reservoir
Public campaigns were held with representatives from the government, local councils, party leaders, non-governmental organizations, the privatized water company (Puncak Niaga (M) Sdn Bhd) and the society at large.

A Public Relations Agency, SRS Group was appointed to handle public relations affairs and acted as agent between the State and the media on the water use efficiency during the crisis and disseminate information within the limits of equitable allocation and acceptable water shortages. In creating awareness and participation, the use of news media was of great importance because information distributed through the news media reaches the mass public and can be geared to both the interested and uninterested segments of the public (which were not directly affected by the crisis in other areas).

ACTION PLAN

Optimal management and control of the water resources under shortage conditions requires coordination of the water needs, mainly of water supply, and irrigation. A summary of the action plan taken to facilitate water supply during the crisis is demonstrated below, bearing in mind the deficient volumes of water:

Water Ration

Water rationing was implemented discretely through three options:

1. every day on an interval of eight hours;
2. alternate days for 12 hours;
3. every third day for 16 hours.

Operational Scope

To alleviate the shortcomings inherent in the crisis, continuous monitoring of the operations of the reservoir was manually exercised. The data can be summarized in Figure 9. Decisions on releases of volumes of water varied according to the area, reservoir, and time of water ration. All these were channeled via eight operation rooms that function 24 hours a day which also served as communication/information/complaint centers for the public. Leakages via mains were repaired within 72 hours and burst pipes within 24 hours. Initially, only 48 water tank lorries were used but this increased to 338 at the peak of the crisis on 20 July 1998 (the capacity of each lorry was 3000-6000 gallons of water). The static water tanks were placed in strategically high-density areas of population.

Figure 9: Operational Resources during the Crisis, 27 March – 16 September 1998

<table>
<thead>
<tr>
<th>District</th>
<th>Pump House</th>
<th>Pump Operators</th>
<th>Manpower</th>
<th>Water tanks (lorry)</th>
<th>Water tanks (static)</th>
<th>Health Inspectors and Assistants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuala Lumpur</td>
<td>63</td>
<td>8</td>
<td>130</td>
<td>43</td>
<td>103</td>
<td>7</td>
</tr>
<tr>
<td>Gombak</td>
<td>24</td>
<td>4</td>
<td>117</td>
<td>35</td>
<td>128</td>
<td>4</td>
</tr>
<tr>
<td>Petaling</td>
<td>6</td>
<td>10</td>
<td>137</td>
<td>109</td>
<td>89</td>
<td>1</td>
</tr>
<tr>
<td>Hulu Langat</td>
<td>27</td>
<td>5</td>
<td>69</td>
<td>56</td>
<td>84</td>
<td>3</td>
</tr>
<tr>
<td>Klang</td>
<td>2</td>
<td>3</td>
<td>154</td>
<td>46</td>
<td>55</td>
<td>3</td>
</tr>
<tr>
<td>Sepang</td>
<td>3</td>
<td>4</td>
<td>39</td>
<td>26</td>
<td>50</td>
<td>3</td>
</tr>
<tr>
<td>Kuala Langat</td>
<td>0</td>
<td>0</td>
<td>77</td>
<td>23</td>
<td>27</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>34</td>
<td>723</td>
<td>338</td>
<td>536</td>
<td>24</td>
</tr>
</tbody>
</table>

Daily Production Data Status

Information and status of water supply was updated by the engineer-in-charge every morning before 10.00 a.m. and information is recorded on:

- Dates
- Supply zone
- Telephone and fax numbers of the operation rooms in every district
- Quantity and percentage of production of treated water
- Water level at Sg. Langat, Sg. Semenyih, and Klang Gate Reservoirs
- Maximum and critical level of reservoirs
- Records of rainfall at the reservoirs
- Current and maximum capacity of reservoir depths
- Number of water tanks (lorry and static) in operation according to districts
- Information on water ration
- Location of burst pipes and the affected area
- Amount of complaints according to areas

Data on Sg. Langat Reservoir such as water production, and rainfall was updated by Puncak Niaga (M) Sdn Bhd whilst the Sg. Semenyih was coordinated by the Selangor Waterworks Department.

Alternative sources of water

The possibility of identifying alternative sources of water was studied by a committee comprising the Selangor and Federal Territory Geological Department, Selangor Waterworks Department, Health Department of Selangor, and Puncak Niaga (M) Sdn Bhd. Among the alternatives identified include water from 31 lakes around Semenyih and Klang Valley which were mainly ex-mining ponds. This exercise utilized 4 engine driven pumps to transfer about 18.16 mld of raw water to be treated at the Sg. Semenyih Water Treatment Plant.

ISSUES RELATED TO THE CRISIS

Cost

The Selangor State Government and Selangor Waterworks Department spent a huge sum to manage the crisis which is being borne by the State and Federal Government of RM56,388,740.85 for the duration of 6 months from 27 March until 16 September 1998. The bulk of it 44.9% was spent on the rental of lorry water tanks. This is followed by 38.4% on sourcing of alternative water resources such as ultrasource mobile water treatment plant. The proportion of the total expenditure is illustrated in the Chart below.
6.2 Inconsistent water production

The water supply to the water treated plants is river-regulated and sourced mainly from rivers and reservoirs. Hence the drought experienced during the crisis has caused the water level to drop and this in turn affected the water ration schedule and disrupted the supply on certain days.

6.3 Management of static tanks and lorry tankers

The onset of the crisis shifted responsibility to the respective Local Councils from the State Department to manage the distribution of static tanks and lorry water tankers to the afflicted areas and zones. Every tanker approximately made two rounds/trips each day due to the distance of the destination, the time of filling up the tankers at the refilling stations which depended on the water pressure at the respective stations, the flow of road traffic, the amount of total time taken and the type of premise of the residents. All these factors contribute to the effectiveness of supply distribution.

7.0 Evaluation of the crisis

Cooperation was solicited from many organizations and the public for effective public participation in creating public awareness and active participation. The public should be informed first before they are able to identify how that crisis reality affects them personally. Feedback was assured through the operation rooms of the decisions. Much of the feedback was largely in regards to non water supply through the main pipes and distribution of water via lorry tankers according to schedule. Those complaints were segregated according to the seriousness of the problem. Those that needed immediate action were prioritized over the normal complaints that were tackled accordingly with time.

The struggle for water supply had its immediate impact, particularly three fast track projects were implemented in 1998 to ease off the crisis through the construction of the Wangsa Maju Water Treatment Plant with a production capacity of 45 mld and the transfer of raw water from the Klang Gates Dam as
well as from the Sungai Gombak to the plant. At the same time, work on the Sungai Selangor Stage II Phase II was accelerated for earlier completion in 2000 and this has increased the production capacity from 9,480 mld in 1995 to 11,860 mld in 2000. This approach also increased the national water supply coverage to 92 per cent in 2000.

Water is the most important natural resource affecting human survival, economic development and maintenance and enhancing the environment. It is indispensable for domestic use and is of vital importance in the development of agriculture and industries whilst in the case where large quantities of surface water exist, it can be used to generate cheap electrical energy. With time, due to population expansion, higher per capita demand and population, water resources become scarcer. To ensure the availability of water when and where it is needed, and to safeguard its quality, water resources management is indispensable.

The truth of the matter is that increased rainfall is expected to result in a corresponding decrease in availability of water for consumption and irrigation. This anomaly would be due to an expected increase in the rate of evapo-transpiration because of an estimated increase in the temperature by 3 - 4°C, by the year 2070. The estimated 30-35% increase in water deficit during the dry season would exacerbate the present water shortage for irrigation during this particular season. Areas in Malaysia, which are already experiencing seasonal water shortages, will suffer even more during periods of drought. The increase in water deficit will also result in acute shortage of potable water. As it is, Malaysia’s water consumption due to the various industrialization programs, irrigation schemes and high population growth is expected to double to 22.4 billion cu.m. per annum by 2020. Water shortages induced by climate change will further aggravate the situation. Early studies (1998) by the Intergovernmental Panel on Climate Change have shown that our agriculture, water resources, coastal areas and forests are already being affected.

It is therefore of great importance that water should be developed and used in a sustainable manner i.e. maintaining adequate water resources and preserving the environment. In the midst of a general apathy that prevails, there exist some activists such as the Centre for Technology Development Malaysia (CETDEM) and the Malaysian Climate Change Group (MCCG) which comprises the Environmental Protection Society Malaysia (EPSM), Malaysian Nature Society and the Perak Consumers’ Association. In fact, when Gurmit Singh was president of the EPSM, he released a press statement on water shortages attributing them to official neglect and myopia. Among his recommendations were in improving protection of catchment areas, implementing a national water policy, and replacing the pipes.

Efforts should be geared towards cooperation among researchers and local governments involved in water resource management. This is crucial as we are faced with the tremendous population growth with its unpredictable impact on the natural resources. In addition, there is an increase in competition for water resources between agriculture and the urban centers which in many urban areas today, the water quality deterioration is being experienced in Malaysia. A risk management system is necessary to ensure sustainable practice.

In the most developed countries where public authorities plan engineering and hydrological surveys to forecast water requirements for many years ahead, there is now widespread concern about the rapidly converging trends of supply and demand. The combination of rising population, rising water consumption per head, and rising volume of domestic and industrial wastes for disposal, is outstripping the geographical resources of the environments of major cities. Malaysia is one such example. The system of measures and activities aiming at the maximum possible fulfillment of present and future water requirements needs to be identified. To achieve this objective, especially for the future water requirements, the necessary data should be collected. Collection of data means that representative time-series of hydro-meterological, hydraulic and morphological data for a long period of time have to be available and updated, and efficiently managed. This invaluable tool/approach of continuous monitoring is seen timely and is long awaited in Malaysia.

What is needed is an integrated water resources management under water shortage conditions and other combinations of models to utilize every available source of water – river, surface, groundwater, and
reuse of wastewater effluent. Reservoirs could be managed to improve the quality of water besides merely satisfying the quantity requirement. There are numerous examples to be mentioned here that are practiced in other countries, for example in Cyprus (EDAMS-MIS) and water harvesting in the Mediterranean basin which included among others major interbasin transfers, aiming at a complete utilization of all ground and surface water resources, water conservation systems coupled with new technological developments.

**POST CRISIS**

**New set up of water council**

Adverse impacts of the crisis resulted in the formation of the National Water Resources Council (NWRC) in June 1998 as a coordinating and integrating body for the planning and management of water resources. The role of the council is to formulate a national water policy as well as establish guidelines on catchment management to ensure long-term sustainability, based on principles of integrated development, equitable regional allocation of water resources, environmental integrity, uniform water regulation and practices, economic value of water and uniform water tariff structure. In addition, the federal-state Government will incorporate watershed planning, gazette water catchment areas, and dam sites to preserve water supply for future use through cooperation and coordination via industry players’ partnerships and dialogues. This institution is necessary to enforce and regulate a national water resource plan that reflects the nation’s social, economic and environmental objectives based on its assessment of its water resources.

**Water resources study**

As the water crisis intensified, the National Water Resources Study Phase I, for Peninsular Malaysia was carried out to determine the availability of water resources and estimate the water requirements up to the year 2050. The result of the study in 2000 revealed recommendations for the policy and management of water resources at both the Federal and state levels. A program of investments to meet future water demands was also proposed.

**Privatization - a new direction**

As a result of the crisis, the construction of the Sungai Selangor Phase II project was privatized on a Build-Operate-Transfer basis. The Sungai Selangor Phase III project which involved the construction of Sungai Selangor Dam and two treatment plants with a capacity of 1050 mld, was privatized in 2000 and is expected to complete in 2004. In addition, two state water supply authorities were corporatized, the Terengganu Water Supply Department and the Penang Water Authority. Consequently, water regulatory bodies were formed in the respective states and the commencement of the corporatization of the Melaka Water Board.

Currently, privatization in the water industry is only involved in the sourcing and treatment of the water supply while the distribution responsibility still lies with the government. In Malaysia, there are several private companies involved in the water industry:

1. Air Utara Indah Sdn Bhd (Kedah)
2. GSL Water Sdn Bhd (Perak)
3. Metropolitan Utilities Sdn Bhd (Perak)
4. Puncak Niaga (M) Sdn Bhd (Selangor)

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3 The adoption of Water Resources Council and National Water Commission had been practiced in many countries, e.g. since 1960s in the U.S.
The new ministry, which has been reformed since the 2004 national election, being named Energy, Water and Communications Ministry, proposed that a National Water Commission be set up to serve as a regulating body to ensure that water supplied is of high quality and affordable to customers. The private companies will also have to adhere to certain industry standards to ensure that they are competent and benchmarked against the best performers in the industry and should they fail to do so, the Government can revoke their licenses. In addition, the National Water Council proposed in July 2003 that the management of water in all states be placed under the jurisdiction of the Federal Government except for Sabah and Sarawak states. It is felt that privatization of water supply is not sustainable if it only involves water treatment and does not take into account water lost due to leakages or non-revenue water. Moreover, currently, many states owe these companies huge amounts of money due to non-revenue water. Such a situation is critical especially in Selangor where the State Government through its corporatized entity Perbadanan Urus Air Selangor Bhd (PUAS) is no longer able to finance the expenditure to improve its existing services. However, such a situation is not experienced in Johor or Penang where privatization has been successful (New Straits Times, 27 April 2004). It is projected that some States may not have the resources to meet the demand for water three or four years from now and this is especially so in Kuala Lumpur, Klang Valley and Putrajaya. The proposed commission could draw up plans to source water from other States. At present, there is no entity overseeing the aspects of clean and quality water, to manage and regulate the country’s water resources. Therefore, a complete restructuring of privatization may take place in the near future.

Let us take a look at one of the above private companies listed. If we were to examine the Kumpulan Perangsang Selangor Berhad (KPS), an investment holding company was involved in the water management since late 1980s, has 30% stake in Syarikat Pengeluar Air Selangor Holdings Berhad (SPLASH) and another 30% stake in Konsortium Abass Sdn Bhd (ABASS). KPS also has 20% stake in Taliworks Corporation Bhd (TALIWORKS) which manage, operate and maintain water supply and distribution facilities in Langkawi Island, operate and maintain Sg. Baru Treatment Plant in Perlis state and is also involved in the implementation of integrated water supply scheme from Kedah to its neighbouring state. Another strategic involvement is the Langat II Scheme which is part of the Southern region Inter-State Transfer Scheme which will involve the transfer of raw water from Pahang to Selangor. The scheme has been broken down into the following two packages:

1. All works pertaining to the Transfer of Raw Water from Pahang to Selangor including the tunnel (Raw Water Transfer).
2. All works for the Treatment of Raw Water and Distribution Works (Langat II Scheme). The Selangor State Government has signed a Heads of Agreement with Konsortium Jaks-KDEB on 9 June 2003, which it has agreed to appoint KDEB as the Main Contractor. KDEB shall in turn appoint KPS as the implementor for the project involving:
   i) the “design and construction” of Skim Langat II infrastructure works (water treatment plant and distribution works); and
   ii) the operation and maintenance of the New Langat II Water Treatment Plant.

The total Plant Capacity of the Langat II Scheme will be 2,180 mld and will comprise of four equal stages of 545 mld each. The first stage will be completed by Year 2008 and the second stage in 2009. The estimated projects costs for the first two stages (combined capacity of 1090 mld) are RM2.5 billion. In line with global expansion, KPS will leverage on its expertise in water management to lead a
consortium in implementing privatization of a water supply projects in Pekan Baru, Indonesia and in the pipeline is a potential water supply scheme in Sri Lanka. However, the triumph of these projects remains to be witnessed but at least the initiative to counter another crisis is being put into plan. To avoid catastrophe over the long term, it is important to have appropriate policies and effective management of strategies in the supply and demand of water.

One current development is the issue of privatization. The recent move by the Energy, Water and Communications Minister to seek a freeze on the privatization of water supply in some states until a regulatory body to monitor water management is set up, has prompted an industry player, Puncak Niaga Holdings Bhd that holds a 70 per cent stake in Syarikat Bekalan Selangor Sdn Bhd (Syabas) to sign a concession agreement with the Government for the privatization of Perbadanan Urus Air Selangor (Puas) in the month of May 2004 to move ahead of time to escape the freeze for the privatization of water supply in Kuala Lumpur, Selangor, and Putrajaya. Puncak Niaga claims to put in place a holistic approach for the next 30 years that include the replacement of 6,000 km of pipes that have been in use for about 50 years within five years, which will cost about RM2 billion and the setting up of ‘Puspel’ to handle all the administration activities previously handled by Puas on 30th April, 2004. Puspel has four main units: customer call center, industrial customer unit, SMART Team and customer information unit. The customer call center handles problems on water supply, water quality, water bills and water supply disruption while the industrial unit center will focus on the problems and needs of industries, provide proactive services on water supply on industries, provide proactive services on water supply issues to the industrial areas and create awareness among the industries on water issues. This will minimize the effect of disrupted water supply on industries while addressing problems and providing solutions to customers. The SMART Team will also handle customer complaints and provide quick feedback whilst the customer information unit is a special unit in the rural areas to enhance the relationship between the communities and the company (New Straits Times, May 1, 2004). This event shows the many pool of interests by certain stakeholders to perpetuate such a move. On the other hand, the perpetuation of the Government to seek a freeze on privatization of water supply in states may reflect the interest of the Federal Government to have a vested investment in the industry. This intention arising from the crisis experienced in the late nineties may cause future affliction between state-federal relations whereby water has always been a state matter. The issue at hand is the governance of the water sector and the ownership of the political masters. As a result, be it cooperation or fragmentation, revenue raising or national priorities, tariff increases may be mitigated to vulnerable consumers. From the benefits of reform of water management and ownership, it is crucial to ensure that the consumers can continue to afford the water that they need.

Increase and upgrade of treatment plants

To mitigate future crises, measures were taken to improve the efficiency of the existing water supply systems. These included the rehabilitation and upgrading of the treatment plants and the distribution systems to reduce the rate of NRW. These include the Sg. Selangor Stage I Phase II, Langkawi Submarine Pipeline Project, Labuan Water Supply Project Phase III, Kulim Water Supply Phase II, Sabah Immediate Water Supply Works and Melaka Development Corridor Water Supply projects. A total of 1,680 km of asbestos cement pipes was replaced with steel and polyethylene pipes. In addition, leakage control and meter replacement programs were also implemented to further reduce the NRW. A total of RM475 million was spent on the NRW program covering 20 districts in various states (Eighth Malaysia Plan, 2001).

Resurrection of new dams

Four new dams were resurrected and completed in 2000 i.e. the Kelinchi and Gemenceh dams in Negeri Sembilan, the Telok Bahang dam in Penang and the Babagon dam in Sabah, bringing the total number of dams in operation to 69, with a total capacity of 29.9 billion cubic metres. Of these, 35 were developed for water supply, 16 for multipurpose use while the remaining were for irrigation and
hydropower. Other efforts that were undertaken include enhancing inter-basin water transfer such as from the Kelinchi Dam in the Muar River Basin to the Terip Dam in the Linggi River Basin in Negeri Sembilan. The engineering study and design for the inter-state water transfer from Pahang to Selangor and Federal Territory of Kuala Lumpur and subsequently to Negeri Sembilan involving the construction of the Kelau Dam and a 45 km tunnel was also completed in 2000 for a maximum capacity of 2,400 mld of raw water.

Alternative sources

Alternative sources of water was located and further developed such as groundwater. In this respect, 87 shallow wells, eight hard rock wells, seven alluvial wells and fifteen monitoring wells were constructed in Selangor. In Kedah, five hard rock wells were constructed in Padang Terap with an average yield of 43,600 liters per hour and three hard rock wells in Sungai Petani with an average yield from the two wells at 43,600 liters per hour and one at 4,540 liters per hour.

In Sarawak, a project was carried out to identify potential sources of groundwater for domestic, agricultural and industrial use. This project subsequently enabled the successful supply of water to numerous villages, longhouses and schools that were isolated and without proper water supply system. These were located in Bintulu, Limbang, and Miri, in the northern zone, Kuching, Samarahan, and Sri Aman in the western zone and Kapit, Sarikie, and Sibu in the central zone. In the water-stressed state of Sabah, hydrogeological studies and construction of groundwater wells were carried out in the western coastal areas of Semporna-Lahad Datu.

CONCLUSION

One dimension that has been growing is the privatization of water that is no longer a common good but a tradable commodity. However, this does not eliminate the government’s key role in public management in its social responsibility in providing constant supply of clean, safe water and basic water services to the society as a public good. In this respect, it is not just on the principle of entitlement but also the principle of equality and capability to do so. There are compelling arguments for privatization of water supply, distribution and connected services as to its enhanced efficiency and improved services. Again, state /federal government intervention is encouraged to ensure that all voices are heard in the interests of the public in the event of any complexity of implementation to ascertain balance between the needs of the people and the provider as a skillful public manager especially in public sector issues. And most of all, let it not be a case of mismanagement but a triumph of practicality in its management approaches, more so in application of crisis diagnostics, in identifying the root cause and the corrective solutions to these roots. Hence, crisis intervention strategies is crucial, more importantly the ability of forecasting of crisis in assessing the probability of crisis occurrence so that the crisis and its shortcomings can then be effectively and quickly managed through an organized plan or a crisis policy that can be put into action at short notice by whom and when should a crisis actually occur to restore to its equilibrium so that the crisis is overcome and the ad hoc crisis committee disbanded in demonstrating a commitment to improved public management.

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Government Should be More Like Business—or Should It?
Implications for the Public Sector of the
Marketization of Society

Mary R. Hamilton
American Society for Public Administration

INTRODUCTION

In the last two decades our world has changed dramatically. Globalization has become the dominant world system and has created winners and losers. We are also experiencing increasing interdependence at the same time that people and groups are attempting to differentiate themselves from each other. Finally, the past two decades have seen the rise of a very strong bias toward the private sector that marginalizes and devalues government.

The same changes that are producing increased globalization—advances in technology that have affected transportation, communications, financial interactions, travel—are also producing rapidly accelerating interdependence. Perhaps as a reaction to increasing globalization and interdependence, we are seeing accelerating tribalism throughout the world. Nations, organizations, and individuals are working hard to differentiate themselves from others and are demanding recognition of their own distinct identities. (Lipman-Blumen, 1996, pp. 4-5) The result is frequently conflict, sometimes war.

During this same period, the balance between government and the private sector shifted. Today, in a world that sees business as far superior to government, it is hard to remember that there was ever a time when the private sector was not held in high regard at the expense of government. But it was—after the depression and during and after WWII. At that time capitalism was completely discredited. It was seen as both totally ineffective to deliver economic growth and a decent life, and morally bankrupt—“it appealed to greed instead of idealism, it promoted inequality, it had failed the people, and—to many—it had been responsible for the war.” (Yergin, 1998, p. 22) And government was seen as the answer.

Today the private sector is seen as the answer to 30 years of what is in hindsight labeled “government mismanagement”. “If only government could be like business” is a familiar refrain. The private sector is held up as the ideal while government is demigrated.

GOVERNMENT MATTERS MORE THAN EVER

In spite of the marginalization of government that is occurring today due to the pervasive private sector bias, government matters more than ever.

Nations must have stable government in order for the private sector to function and for families and individuals to be able to have a decent life.

Nations that are going to function well in today’s world must have quality legal, regulatory, tax, and financial systems and quality economic management. All of these systems are currently largely under the control of governments. Nations must also have transparent, accountable government, free of significant corruption. The higher the quality of these institutions and systems, the better able a nation will be to get the most out of participation in the global economy while protecting itself from the worst excesses of globalization.

In spite of the credibility of the argument that quality government is critical to nations’ success in today’s world, the prevailing public perspective is that the marketplace is the vital component, and government is at best marginal, at worst it creates problems that the private sector must resolve.
WHAT IS MEANT BY MAKING GOVERNMENT MORE LIKE BUSINESS?

When politicians and citizens call for government to be run “like a business” they normally mean “it should be cost efficient, as small as possible in relation to its tasks, competitive, entrepreneurial, and dedicated to ‘pleasing the customer.’” (Box, 1999, p. 19) The latter usually includes being effective at producing the results they are intended to produce as well as effective at responding to the citizens and other stakeholders who care about what they do.

Politicians and citizens also frequently mean that government should be more “rational”, that is decisions should be made with facts and data, dispassionately, not with emotion and political intrigue. E.J. Dionne quotes former House majority leader Dick Armey praising the flexibility of the marketplace over the rigidity of government: “The market is rational and the government is dumb.” (Dionne, 2002)

IS MANAGEMENT THE SAME IN BOTH SECTORS?

If government is to be run like business, then we should find that management in government is essentially the same as management in the private sector. But we don’t.

However, there are similarities. Government certainly doesn’t have a “monopoly on overhead managers who enforce rules that get in the way of purposes.” (Behn, 1994, p. 5) Both private sector firms and government agencies are “tightly and directly controlled through hierarchies—one emanating from the owners, the other from state authorities.” (Mintzberg, 1996, p. 76) As Charles Goodsell puts it “business corporations are themselves organized bureaucratically. Hence comparative public-private statistics are not truly between bureaucracy and nonbureaucracy but between different kinds of bureaucracy.” (Goodsell, 1994, p. 62)

Goodsell goes on to say that “the presupposition that the private sector is disciplined by the market while the public sector escapes such discipline hides important truths.” (Goodsell, 1994, p. 62) He disputes the reality of ‘perfect competition’ in the private sector and argues that government agencies are subjected to “plenty of performance-demanding compulsion too, although—like marketplace competition—its results are not always predictable.” (Goodsell, 1994, p. 63)

Common sense would lead one to believe that the basic functions of management—planning, organizing, directing, staffing, coordinating, reporting, budgeting—commonly referred to as PODSCORB in public administration—would be the same in both sectors. Several of these functions are similar, such as planning, directing, reporting. However, the environments the two sectors operate in are so different that even functions that are quite similar are subject to vastly different forces and pressures.

For example, budgeting in the public sector is subject to very involved, transparent processes that are influenced by a wide variety of stakeholders and require a great deal more time and resources than budget processes in private firms. Recruiting in the public sector is much more complicated than in the private sector because of a myriad of laws and regulations that are intended to level the playing field for people of different races, creeds, etc., and/or to provide an advantage for people like veterans.

Sensenbrenner points to another difference between the sectors. He argues that, unlike private firms, where leadership of change comes from the highest levels, “in government, more often than not, the leader in improvement is not the politically appointed executive nor the elected official, it is the middle or senior level civil servant manager.” (Sensenbrenner, 1995, p. 92) He explains that this is because there is “a planned lack of continuity at top leadership levels” in the public sector, and as a result, the tenure of public sector CEOs is shorter than private CEs. (Sensenbrenner, 1995, p. 92) He also argues that “the current system appears at times to be designed to reward elected officials for conduct at odds with the best practices of business” because of the short time horizons, and “There are few, if any personal financial incentives to make any real improvements.” (Sensenbrenner, 1995, p. 92)

We could go on to enumerate many more differences between the two sectors, but the important point is that government is not business. “Public bureaucracy is not created to perform according to economic or managerial criteria alone.” (Goodsell, 1994, p. 63) Ludwig von Mises made this argument in his 1944 book Bureaucracy, in which he equates bureaucracy with government administration:
In public administration there is no market price for achievements... In the field of government the result has no price on a market. It can neither be bought nor sold... A government is not a profit-seeking enterprise. The conduct of its affairs cannot be checked by profit-and-loss statements. Its achievement cannot be valued in terms of money. (von Mises, 1944, pp. 3, 4, 6).

The plain citizen compares the operation of the bureaus [i.e., government agencies] with the working of the profit system, which is more familiar to him. Then he discovers that bureaucratic management is wasteful, inefficient, slow, and rolled up in red tape. He simply cannot understand how reasonable people allow such a mischievous system to endure. Why not adopt the well-tried methods of private business? (von Mises, 1944, pp. 3-4).

However, such criticisms are not sensible. They misconstrue the features peculiar to public administration. They are not aware of the fundamental difference between government and profit-seeking private enterprise. What they call deficiencies and faults of the management of administrative agencies are necessary properties. A bureau is not a profit-seeking enterprise; it cannot make use of any economic calculation; it has to solve problems that are unknown to business management. It is out of the question to improve its management by reshaping it according to the pattern of private business. It is a mistake to judge the efficiency of a government department by comparing it with the working of an enterprise subject to the interplay of market factors. (von Mises, 1944, p. 4)

Mintzberg acknowledges that “both sectors embrace similar management functions, but the context and constraints of each sector affect the managerial role and the way it is performed.” (Mintzberg, 2000, p. 2) He goes on to say that ultimately the differences will trump the similarities, evoking the old saying that management in government is just like management in the private sector except for the most important things.

The differences are clear when we look at accountability in the two sectors. “Managers in the private sector will always be asked questions like ‘What did you do for my stocks today?’, while their counterparts in the public sector will be asked, “Have you applied the law well? As well as possible? In the interest of the users? The beneficiaries? The citizens? The state? As efficiently as possible?’” (Mintzberg, 2000, p. 2)

Box draws clear distinctions between management in the two sectors. He describes private sector CEOs as having considerable autonomy, the right to secrecy, and the capacity (including the capital) and skills for risk-taking. They work with a “coercion-domination model”, have the right to proceed with drastic, sudden and rapid change, and have little or no obligation to respect tradition. By contrast, public sector managers operate in a context where they have multiple accountabilities, and, when establishing a vision for the future, they must take into consideration the participation of many others (including politicians, groups and citizens). They manage in a fishbowl, and must direct, guide and cajole rather than order. Public managers are also obliged to take into account the impact of their actions on public processes and products in terms of appropriateness, adequacy, justice, representation and participation. (Box, 1999)

GOVERNMENT SHOULD NOT TRY TO BE LIKE BUSINESS

In a world where stable, high quality government is critical to nations’ abilities to function effectively and thrive, it is at best foolish, at worst dangerous, to push government to be more like business.

Government is not business. Government is much more complex, much more open to scrutiny from a more diverse group of stakeholders. Government is also responsible for a wider range of goals reflecting a wider range of values, and much, much more.
There is no question that the two sectors can learn from each other and should. However, those lessons learned and best practices that the public sector identifies in the private sector should be integrated into public organizations while respecting public sector values. However, neither sector can or should become a carbon copy of the other. The two sectors live in different worlds and expecting either to operate the same way in such different environments is foolish.

Below are ten reasons why government should not and cannot become just like the private sector.

First, government agencies are pushed by citizens and politicians to be both highly efficient and politically responsive. This has always been a central issue for government and this double-bind demand has gotten much worse in recent years. Private firms don’t have the same pressure. (McSwite, 2002, p. 88)

Second, public agencies can’t be like private companies because “the very people who make this demand—the politicians—keep it from happening.” As we all know, what public agencies do bears directly on the careers of politicians. Therefore, it would be irrational for them to make agencies independent of political controls. The result is that the business processes of public agencies are constrained by a mountain of institutional regulations aimed not only at preventing waste, fraud, and abuse, but also at ensuring that political actors have the right to examine and have a say in all aspects of agency business. I don’t have to tell you how that affects your getting your jobs done. Imagine how well private corporations would operate if they were subjected to similar controls. (McSwite, 2002, p. 88-89)

A third reason that agencies cannot be more like corporations is because they do not have access to the kind of capital that corporations have. All of the agencies that I know anything about are undercapitalized. The cumbersome, abstract public budgeting process will never be able to match the flexibility and sensitivity of business in channeling capital to those places where it will result in the greatest increment in satisfaction. And, of course, the budget controls are just other forms of political control. Again, imagine how well a private corporation would perform if it were subjected to the kind of transparency and accountability required of public agencies. (McSwite, 2002, p. 89)

Fourth, the mission of corporations is to produce concrete satisfaction by providing goods and services that either generate pleasure or relieve pain. Given the power of advertising, firms are able to get by with providing only the illusion of effectiveness. “Public agencies, on the other hand, are given impossible, abstract missions defined by what can only be called simplistic policies.” In some cases, an agency’s mission includes competing goals. Private firms with similar missions wouldn’t survive. (McSwite, 2002, p. 89)

Fifth, the problems that government agencies are asked to resolve are infinitely more complex and interrelated in their causes and effects than the problems most private companies face, e.g., poverty, drug abuse. (McSwite, 2002, pp. 89-90) Government is given tasks that the private sector would not touch or has abandoned. If it were simple, the private sector would be doing it.

Sixth, public agencies are normally led by politicians rather than administrators. These leaders perform their roles with their own careers in mind. They are usually short-timers, impatient to get results that will make them look good, thereby disrupting the normal processes by which work gets done in agencies. In recent years, private firms look more like government, with shorter and shorter tenures for CEOs, and with many business failures as a result. (McSwite, 2002, pp. 90-91)

Seventh, “government must not only be economical and efficient but also carry out statutory intent; observe due process; follow election returns; seek the participation of citizens; pursue justice; and symbolize an open, caring, and honest government. Thus, to compare public bureaucracies with private businesses merely on the basis of productive output or tight management is to stack the argument, in advance, in favor of business.” (Goodsell, 1994, p. 63)

Eighth, “the rules are different for government. . . . unlike private businesses, [government] can not unilaterally choose [their] client base, nor the products [they] sell, nor the geographic area [they] serve.” (Gunyou, 2003, p. 2) Government doesn’t “have the luxury of selectively eliminating unprofitable product lines, like police and fire protection. Nor refusing to educate the high maintenance students. Nor dropping those streets that are the most costly to maintain.” (Gunyou, 2003, p. 2) Government leaders have responsibilities that don’t exist in the private sector, e.g., they are required to
continue services that aren’t necessarily profitable or fulfill requirements for open meetings. In addition, when government fails, it cannot simply declare bankruptcy or go out of business. (Goddard and Riback, 1999)

Ninth, the rules for government are different, because government has little say over the prices they charge and they are “hamstrung by no-tax pledges and levy limits. No responsible corporate CEO would ever promise to freeze prices indefinitely.” (Gunyou, 2003, p. 2)

Tenth, there is a “distinct difference between public and private services. Many government services have to be readily available 24/7/365, regardless of whether that’s the most profitable approach…most government services are end products that don’t involve routine piece work. That makes it difficult to double productivity without halving quality.” (Gunyou, 2003, p. 2)

Imagine private corporations being subjected to direct political controls, politically inspired institutional regulations, naïve policies, undercapitalization, and work disruptions instigated by leaders who are building their careers, and ask yourself how efficient and effective they would be. Add to that the inability to: shed facilities, products, services that are not cost-effective; raise prices; and go out of business, and you have a formula for disaster in the private sector.

Given all of these factors spinning around in the environments of public agencies, there is little room for efficiency.

As O.C. McSwite puts it:

The strange thing is that everyone knows this. Furthermore, it is generally considered that this is right and proper. We think that, at some level, a legitimate aspect of our governmental formula is that public agencies should operate with their hands tied and that people should have the right to complain about the result. (McSwite, 2002, p. 91)

This sounds quite perverse and schizophrenic, but it certainly rings true based on the experiences of many government professionals. And it is consistent with the history of this country. The bias toward limited government was present at the founding. It has waxed and waned, but never gone away. Thus it makes a strange sort of sense that Americans would want to hobble their government and reserve the right to bash it when they don’t get what they want from it.

WHAT ARE THE IMPLICATIONS FOR GOVERNMENT OF THE MARKETIZATION OF SOCIETY?

As the world has become more and more globalized, and more and more marketized, the private sector has been deified and government marginalized. There are three major implications of the marketization of society for government:

- The relationship between the public and private sectors has been thrown out of balance
- Citizens have been made into customers and hence feel little responsibility to help achieve common goals
- Reduced attention to fundamental democratic values

DANGEROUS IMBALANCE BETWEEN THE SECTORS

The marketization of societies has resulted in a dangerous imbalance between the public and private sectors. When the Society Union collapsed, many people attributed the collapse to the triumph of capitalism. Henry Mintzberg calls that notion wrong-headed and dangerous. He says “Capitalism did not triumph at all; balance did.” He goes on to describe how western nations had been living in “balanced societies with strong private sectors, strong public sectors, and great strength in the sectors in between.
The countries under communism were totally out of balance.” (Mintzberg, 1996, p. 75) They were entirely state controlled and without the countervailing force from another strong sector (e.g., private, non-profit). Mintzberg sees the unraveling of the Soviet Union as a potential step toward balance in that part of the world.

However, because people in the west concluded that the lesson to be learned was that capitalism was vindicated and had come into its own, what we now have is a significant imbalance in western societies. E.J. Dionne says it this way: “The United States is both a commercial republic and a popular democracy. Sometimes our two halves get along just fine. Sometimes they collide. We’re living in a moment of collision” (Dionne, 2002).

Dionne goes on to argue for balance: “...the two traditions embedded in our political culture have served us pretty well. Our commercial side has made us a rich nation. Our democratic side has made us suspicious of the abuse of wealth, and of the power that wealth brings. The interaction between these traditions has let not to stalemate but to a dynamic process of self-correction” (Dionne, 2002).

Mintzberg emphasizes the same theme, referring to government and business: “Each has its place in a balanced society alongside cooperative and nonowned [i.e., nonprofit] organizations...Let us not forget that the object of democracy is a free people, not free institutions. In short, we would do well to scrutinize carefully the balance in our societies now, before capitalism does triumph” (Mintzberg, 1996, pp. 82, 83).

The President of the Commonwealth Association for Public Administration and Management (CAPAM), the Hon. Jocelyne Bourgon made the same argument in a 2002 speech: “The lesson of the past 20 years should be that a well performing society requires both a well performing private sector and a well performing public sector. Each makes a unique contribution. Each one operates in accordance with its own set of values. Each one deserves respect in its own right” (Bourgon, 2002, p. 4).

Unfortunately, the strong and increasing private sector bias in today’s world means that government is not only not respected, it is denigrat ed, marginalized, and otherwise severely hindered from being the kind of strong countervailing force that it can and should represent in healthy societies.

**CITIZENS ARE MUCH MORE THAN CUSTOMERS**

The marketization of society and the dominance of the private sector mean that citizens have been categorized as customers, denying their broad responsibilities as citizens. Government’s aping of the private sector’s customer focus has meant improved services and responsiveness for citizens. However, the concept has been pushed too far. As Mintzberg says in response to being labeled a customer by his government: “I am not a mere customer of my government, thank you. I expect something more than an arm’s-length trading and something less than the encouragement to consume...I am a citizen, with rights that go far beyond those of customers or even clients...If I have rights as a citizen, then I also have obligations” (Mintzberg, 1996, pp. 76-77).

Bourgon talks about the marketization of the state as “transforming the philosophical basis of public sector organizations.” One aspect of that new paradigm is that citizens are converted to customers “free to purchase from a number of suppliers of the public good” (Bourgon, 2002, p. 2).

Citizens are not customers, they are citizens, and it’s time that we treated them as such.

Citizens in our society have responsibilities and we in public service need to hold them accountable for performing those responsibilities. Bob and Janet Denhardt say this well in their book promoting “The New Public Service.” The Denhardts outline seven principles of the New Public Service. The emphasis in the principles is on service, and they mean service on the part of everyone—elected officials, public employees and citizens. No one is exempt. Everyone is responsible for “building a collective, shared notion of public interest”, and for making the public interest “the aim, not the by-product” of their efforts (Denhardt and Denhardt, 2003).

The fourth of their principles is particularly appropriate for this discussion, “Serve citizens, not customers.” The Denhardts frame the principle nicely when they argue that “government should not first
or exclusively respond to the selfish, short-term interests of ‘customers’ . . . people acting as citizens must demonstrate their concern for the larger community, their commitment to matters that go beyond short-term interests, . . .’ It seems that post-September 11th there is much more sympathy for this position, both within nations and among them (Denhardt and Denhardt, 2003).

**EROSION OF FUNDAMENTAL DEMOCRATIC VALUES**

The most serious and dangerous implication of the marketization of society and of government is the erosion of traditional institutional practices and structures and subsequently of the fundamental democratic values that undergird democratic societies.

Bourgon, in her discussion of the unique contributions of the public and private sectors describes them as follows:

One supports collective values, the other market choices. One seeks political consensus, the other encourages individual choices. One is democratically oriented, the other focused on efficiency. One focuses on public policies, the other on contractual arrangements. One protects individual rights and is preoccupied with fairness and the respect of the rule of law, the other seeks to maximize individual benefits and freedom. One encourages cooperation, the other relies on competition. (Bourgon, 2002, p. 4)

This description allows us to see the need for the countervailing force that each sector provides for the other. Unfortunately, when one sector is weakened, which is the case in today’s world, the values of the strong sector dominate. That is what is happening in societies today. Market choices are emphasized over collective values. Individual choices, individual benefits and freedom trump protection of individual rights, fairness and respect for the rule of law. Competition and efficiency are favored over cooperation and democratic values.

As Bourgon puts it, we are in a situation that leads to:

- the erosion of a nations’ ability to use its public institutions to achieve critical collective actions;
- the inability to marshal its policy capacity in an integrated and coordinated manner across departments;
- the devolution of politics and political leadership through client service providers largely untouched by democratic impulses and political insights; and
- a proliferation of unconnected public sector units serving specialized interests, detached from a broad definition of the public interest.

Benjamin Barber, reflecting on the corporate scandals in the United States in 2002 argued that the weakened public sector allowed/encouraged the behavior that caused those scandals:

Business malfeasance is the consequence neither of systemic capitalist contradictions nor private sin, which are endemic to capitalism and, indeed, to humanity. It arises from a failure of the instruments of democracy, which have been weakened by three decades of market fundamentalism, privatization ideology and resentment of government (Barber, 2002).

He goes on to say

Capitalism is not too strong; democracy is too weak. We have not grown too hubristic as producers and consumer; we have grown too timid as citizens, acquiescing to deregulation and privatization . . . and a growing tyranny of money over politics. These policies can be traced
directly to that proud disdain for the public realm that is common to all market fundamentalists, Republican and Democratic alike. Such attitudes represent a penchant for go-it-alone economics that undermines the social contract and turns corporate sins into virtues of the bottom line (Barber, 2002).

Barber also argues that the market ideology robs us of the civic freedom by which we control the social consequences of our private choices. “Democracy is more than consumer polling. It demands the consideration not only of what individuals want (private choosing) but also of what society needs (public choosing)” (Barber, 2002).

Finally, he argues that we have created havens for all kinds of undesirables by weakening government:

The truth is that runaway capitalists, environmental know-nothings, irresponsible accountants, amoral drug runners and antimodern terrorists all flourish because we have diminished the power of the public sphere. By privatizing government functions and refusing to help create democratic institutions of global governance, America has relinquished its authority to control these forces...How do we expect a go-it-alone superpower to depose terrorists who exploit the global interdependence America is reluctant to recognize?... These ends are public...To secure them is the common task of every citizen—as well as the principal responsibility of the president and Congress, whose problem is not that they may have once been complicit in the vices of capitalism, but that they are today insufficiently complicit in the virtues of democracy (Barber, 2002).

McSwite is concerned about the dehumanization of society that results from the dominance of the market. The authors remind us that “market theory is based on an impersonal logic that assumes too much and ignores human beings too far. The problem is that in attaining ultimate efficiency, the market eventually must bend everything and everyone to its purposes. It must colonize people’s minds and control their bodies to the point that they become nothing more than producers and consumers.” (McSwite, 2002, p. 86) They go on to say that, “In addition, it is necessary to finesse controversy over value positions and cultural differences among people by allowing everything. Everything that is short of being outright destructive must be allowed so that the services and products that attach to these demands can be produced and sold.” (McSwite, 2002, pp. 86-87)

What are the implications for government of this dehumanization? Government is marginalized. The only viable role for government from this perspective is to provide services that the private sector cannot or does not want to provide. Since such services are far fewer than in the past, government’s role has shrunk dramatically and government agencies have lost capacity for innovation, technological development, and many other things they once did well.

McSwite argues that this marginalization and shrinking of government is occurring just when “broader social conditions are arising that seem to demand a stable collective venue.” (McSwite, 2002, p. 88) The authors cite issues of diversity and race relations as well as deregulation. The latter because of the lower quality service that frequently results (e.g., airlines) and because of the proliferation of choices. They also cite the need to address the implications for society of “profound technical innovations like the Internet and genetic engineering. Just as government wanes, the need for it waxes.”

CONCLUSION

The potential impacts of pressuring government to behave like business are sobering. Nations need stable governments to be able to thrive and even survive in today’s fast moving, globalized world. The private sector needs rule of law, consistent regulatory and contractual frameworks, and accountability in government in order to do business. Private firms don’t invest in societies that are in chaos; they don’t build plants and facilities in nations that do not have stable governments.
In spite of acknowledging the importance of stable government and high quality governmental institutions and processes, we have allowed the private sector to attain dominance at the expense of the public sector. The market ideology that promotes that dominance has only contempt for government and thus works to weaken and marginalize the public sector.

When the public sector is weakened as much as it is in many societies today, there is no countervailing force to push for balance of market and democratic values in a nation. Without such a countervailing force, private sector methods and values prevail. That is what we are seeing in much of the world today. Efficiency is preferable to democracy with all of its inefficient involvement of citizens and stakeholders, open meetings, adherence to law and tradition. Competition is favored over cooperation. Individual choices and benefits take priority over collective values and choices.

Commenting on the weakening of government, Mintzberg said “Societies get the public services they expect. If people believe that government is bumbling and bureaucratic, then that is what it will be. If, in contrast, they recognize public service for the noble calling it is, then they will end up with strong government. And no nation today can afford anything but strong government” (Mintzberg, 1996, p. 83).

Finally, Bourgon comments on how critical it is to have a “broad societal consensus on the importance of the State and its supporting public sector institutions. It results from a political leadership willing to affirm the importance of the public sector institutions for a sustained standard of living and quality of life for all citizens. In a word, if we do not believe in it, we cannot build it, and over time, we will lose it” (Bourgon, 2002, p. 1).

That is the danger, if we continue to weaken the public sector in our countries, we risk losing the balance, stability and alternative (to the market) values that the public sector represents. We also risk losing the framework that will allow each of us to shape a better future for ourselves and those yet unborn (Kirlin, 2001).

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REFERENCES


The Network of Asia-Pacific Schools and Institutes of Public Administration and Governance (NAPSIPAG): Sustaining Good Governance in the 21ST Century*

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INTRODUCTION

The developing countries in Asia and Pacific regions have a growing number of public administration schools and institutes which are a potentially powerful indigenous advisory resource that could strengthen governance and public management. This advisory resource has the important advantage of being substantially locally sustainable. The institutes also have the potential of being very powerful institutional change agents based on their local knowledge, capacity, acceptability, and influence. The level of performance of these institutes and schools of public administration, however, varies greatly. Strong indigenous institutes exist in some countries but in other countries, much work is still needed to help such institutions become agents of good governance.

A strategy that could be useful in addressing the need for strengthening such institutions is the creation of a network of professionals and institutions. The creation of networks of this kind is now at the forefront of promoting good governance. This approach is in many ways preferable to sole dependence on western and developed countries. If developing countries could turn to existing indigenous networks for assistance, supporting capacity-building efforts would become more relevant and meaningful.

Several examples of successfully operating networks may be cited here. First is the Network of Institutes and Schools of Public Administration in Central and Eastern Europe (NISPACEE), which was founded with initial support from the Austrian Government and the Sigma Program of the Organization for Economic Cooperation and Development (OECD) in 1994 with 15 member institutions. NISPACEE has proven that East-to-East cooperation for building capacity in transition economies is a viable alternative to purely West-East collaboration. Today, it is a thriving network with over 200 members.

Second is the Eastern Regional Organization for Public Administration (EROPA) which is the only existing regional network of public administration institutes in Asia and the Pacific. It currently comprises 12 member countries. EROPA, however, is an intergovernmental organization catering to only a very limited number of institutions of its member governments and not providing all the services envisaged by the proposed network.

Another example is the International Association of Schools and Institutes of Administration (IASIA) which is an international network that was formally incorporated in 1971. IASIA has a worldwide membership of 170 institutions in 70 countries of which 30 are in 13 Asia and Pacific countries. Having its headquarters in Brussels, IASIA is affiliated with the International Institute of Administrative Studies (IIAS). The activities of IASIA include education and training of administrators and managers, and related research, consulting and publications. IASIA is also supportive of regional associations.

One of the core activities of IASIA is the holding of annual conferences on public administration and related policy issues. In one of its international conferences, a session on regional cooperation tackled the launching of a possible network of public administration schools and institutes where potential participants from the Asia and Pacific region enthusiastically endorsed the need for such an initiative.

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Thus, in 2003, playing its role of promoting regional cooperation and exchange of good practices for development, the Asian Development Bank (ADB) started supporting the establishment of a regional network of such institutes in Asia and the Pacific. A series of activities (e.g., special meeting, organizational meeting) have been and are being conducted as part of the overall effort that would lead to the launching of the network. Being the premier development agency of the region, ADB is uniquely positioned which gives it the advantage of being able to represent the region and its interests in various regional and global bodies, where such bodies play a significant role in key development issues.

RATIONALE FOR HAVING A NETWORK

Asia and the Pacific cover a wide geographic range, with countries of varied political systems. Established democracies, monarchies, small island states, and so-called “transition economies” in the process of changing from a command to a socialist market economy dot the landscape. Most of the countries, except the very small ones including most of the island states of the Pacific, have institutions dedicated to educating and training citizens in public administration. Some of these institutions are recent; some are in transition themselves; and a certain number are well-established solid institutions with a proud history, strong administrative culture and reputable teaching force.

Good public management definitely plays a role in the Asian and Pacific countries’ march towards economic growth and development. Thus, strengthening of the public service is key to growth because, as countries move more and more towards a liberalized economy, the regulatory function of government becomes crucial for success.

Weaker public administration institutions in the less developed countries have limited access to consistent and long-term support for reform, save for the odd participation in development projects. In the Asian subregions, there are countries with many historic and administrative similarities. For example, the Central Asian republics are often characterized by their Soviet past, overcentralized systems, and degrees of linguistic and religious commonalities. The countries of the Mekong subregion are experimenting with a mixed political system, which keeps political control within the state apparatus while bringing in elements of market. In South Asia, extensive moves are afoot to open economies further, in pace with emerging economies in East and Southeast Asia such as Malaysia and Thailand. In each subregion, the similarities militate for some degrees of regional cooperation in public administration education in order to capitalize on regionally available capacity and respond to market efficiency. There is a need to complement project-based capacity development with the building of indigenous governance/public administration advisory capacity and to encourage local and regional solutions to the major deficiencies of public administration.

Governance, more specifically well-functioning public administration, has become a priority development concern of developing countries in the region. It is also one of the key strategic objectives of ADB. External assistance for governance and capacity building to developing countries has generally taken the form of studies, training, placement of advisors, budget support related to conditionalities, among others. Most interventions have had difficulty in achieving the sustained building of governance capacity. It therefore appears necessary to complement them with the building of indigenous governance advisory capacity and to encourage local solutions to the major deficiencies of public management and the delivery of basic services. Creating a network therefore consisting of indigenous schools and institutes in the region may help them obtain better synergy, save effort, and sustain long-term viability.

OBJECTIVES OF ESTABLISHING THE NETWORK

Having capacity building as one of the key dimensions of governance, the long-term objective of creating a network is to build and enhance the capacities of the existing public administration schools and institutes in Asia and the Pacific so that they can positively support their governments to become more efficient and effective. This can be effectively and efficiently achieved through more regional institutes and schools of public administration assisting each other with locally tested best practices.
Putting in place a network of schools and institutes of public administration necessitates the attainment of the following short-term goals:

- Building the network’s ability to provide effective capacity-building services to member institutes on a sustainable basis;
- Encouraging sharing of expertise and good practice among members of the network;
- Assisting the member in the continuing development of public administration theory and practice through research and other initiatives; and
- Fostering cooperation and collaboration between and among the members in the pursuit of related and common interests.

**PREPARATORY ACTIVITIES**

The ADB currently does the secretariat function by doing the general groundwork towards the establishment of the network. Its preparatory activities include:

- Creation of a database where a list of key institutions involved in public administration education, training, and research in Asia-Pacific will be established with emphasis on discerning the more established and stronger institutions;
- Selection of a planning/initiating committee that would plan the initial activities of the network;
- Preparation of the draft constitution and by-laws;
- Holding of an international conference that will serve as the launching pad of the network;
- Conduct of an organization and business meeting where the participants will agree on how to establish the network, its mission, structure and operating principles;
- Preliminary preparations to establish a Network Secretariat;
- Identification of activities to be provided to the members; and
- Identification of funding opportunities and modalities.

**BENEFITS THAT MAY BE DERIVED FROM THE NETWORK**

The network has been conceived as a vehicle that would strengthen the capacity of public administration schools and institutes in the Asia-Pacific region to serve as effective advisory resources on governance. However, there are many other benefits that the members may gain in joining the network. Such benefits are seen to contribute in one way or another in making the region’s governments more democratic, transparent and responsive. These are:

- Enhancing national capacity to promote good governance - The proposed network will have at its core the goal of disseminating information about improving the effectiveness, transparency, and responsiveness of governments in the Asia-Pacific region. It will do this through enhancing the
capacity of member organizations to provide the most effective education and training activities, and encouraging the carrying-out of practical, relevant, cutting-edge research.

- Strengthening member institutions - While there are various schools and institutes that are of excellent quality, there is also a number that fall short of excellence in terms of programs which they operate. The proposed network can sponsor various activities that enhance the capacity of its member organizations to both train people for and promote the highest standards of effective, transparent, and responsive governance.

- Encouragement of improved professional competence - Through providing a forum for thoughtful and continuing communication, the proposed network can help to encourage enhanced professional competence.

- Promoting knowledge about good governance - By bringing together individuals concerned with educating current and future generations of students who will be responsible for managing the governments of the Asia-Pacific region, such a network has the potential to have a profound and long-term impact on the well-being of the peoples of the region.

- Creation of a professional identity and community – The proposed network hopes to encourage the creation of a professional community that brings together relevant individuals from throughout a country or a region, to enhance their ability to achieve the principal goals and objectives of their profession.

- Promotion of professional standards and ethics - The network can establish canons of ethical behavior to guide individuals in a field, whether academic faculty or practitioner and encourage the highest of standards and help define the responsibilities incumbent upon an individual looked upon as possessing expertise in various areas of public administration.

- Promotion of professional communication about good governance - Done through the organization of annual conferences, specialized seminars, workshops, and other training activities that bring individuals together and/or through the publication of professional journals and other forms of professional publications (books, occasional papers, etc.)

- Promoting the discipline of public administration - This involves carrying out campaigns to encourage individuals to enter that particular field, and publicizing the activities of those already in it.

- Promoting academic freedom - Transnational networks of academic institutions can provide some measure of assistance to individual faculty members by supporting their freedom to teach and conduct research in a manner consistent with the highest standards of professional integrity and independence.

**POSSIBLE NETWORK ACTIVITIES**

As the proposed network eventually takes its full shape, it will try to provide wide-ranging services to its would-be members that would give them the opportunity to pursue and advance their interests within the context of regional cooperation and development. The possible activities or services the network needs to provide to its members should encourage mutual support and assistance among them as the governments increasingly face a more globalized environment. Possible network activities should
not only encourage its members to build their respective capacities but also foster enhancement of capacities of one another. These activities may include:

- Holding of regional and sub-regional meetings whenever appropriate;
- Exchanging staff within the region;
- Hosting staff from outside the region;
- Conducting seminars for staff development;
- Establishing relations with other similar regional networks;
- Creating working groups to undertake specific research activities;
- Informing members via a newsletter;
- Having a publications program;
- Improving relations with external aid agencies;
- Developing a database of regional resources;
- Producing an electronic journal;
- Training researchers; and
- Working on education/training/consultancy projects to enhance funding.

LAUNCHING THE NETWORK

During one of the preparatory activities of the proposed network that was held in China in January 2004, representatives of the institutions present displayed enthusiastic interest to join and expressed their willingness to contribute whatever they can in the interest of realizing the network. Discussions focused on the modalities of a network and on the draft constitution and by-laws. Planning for the next activities and strategies was also done during the meeting. Related institutions such as the IASIA, NISPAcee and EROPA shared the experiences of their respective institutions on networking.

The official representatives of twenty-six (26) public administration schools and institutes from the different countries in and outside Asia-Pacific actively exchanged ideas on related decisions and actions on how to launch the Network. As agreed during the meeting, the Network will be launched through an international conference on the theme of, "The Role of Public Administration in Alleviating Poverty and Improving Governance" on 6-8 December 2004 in Kuala Lumpur. The Launching Conference will be organized by ADB in cooperation with the National Institute of Public Administration (INTAN) – Malaysia.

The launching conference aims to achieve three main objectives: 1) to put in place a network of public administration schools and institutes in the Asia-Pacific region that would unite them in further developing the role of public administration both as a discipline and as a profession, particularly in making it more responsive and relevant to serving the needs of society; 2) to provide a venue for educators and practitioners to share expertise and experiences on the role public administration plays in promoting good governance and poverty alleviation; and 3) to look at innovations in poverty alleviation and good governance that can be used to promote development in general and improve outcomes for the poor in particular.

ADB is now in the process of inviting public administration experts from different institutions not only in Asia-Pacific regions but in other developed countries as well to submit their papers for presentation during the conference. Several panels will comprise the conference, each dealing with sub-themes on issues facing public administration today as it tries to move toward reducing poverty: leadership and change management, citizen empowerment through participation; economic and financial management; effective public service delivery; gender-responsive governance; strengthening democratic institutions. In order to highlight public administration as a major academic discipline which is responsible for educating or training current and future generations of civil servants and students who are or will be serving in public management positions, a special session will be devoted to new trends and innovations in the teaching of public administration and public policy in the Asia-Pacific Region. This session aims to discuss the
challenges of teaching Public Administration and Policy in the region and devise an effective strategy for dealing with them.

A major activity that will cap the conference is the launching of the network where all attending institutions will be invited. After which, a business meeting is expected to ensue which will have the following agenda: approval of the Network of Asia-Pacific Schools and Institutes of Public Administration and Governance (NAPSIPAG) Constitution and By-Laws; election of Steering Committee; and strategy, plans, and programs

PRELIMINARY CONCLUSIONS

Sustaining good governance necessarily involves building the capacity of local expertise and experience. It is not enough that individual schools and institutes of public administration equip themselves for their own particular needs and circumstances, but where possible, to look outward and weave a strong network of institutions that permits an effective involvement and participation. The task ahead is enormous as there are numerous public administration schools and institutes existing in the region. For most of them, joining the network may not be a problem, but the challenge lies in sustaining their interest and involvement. That is why this calls for real innovative approaches particularly in the delivery and management of network activities, which to a large extent will depend on choosing the right governing council and secretariat and on the enthusiasm of the individual and institutional members.

As the proposed network would strive to enhance and develop the capacity of its members, it should try to identify the existing expertise and resources and build from there. The goal is to make the network strong enough so that it would enable its members to help their governments to a higher level of development.
INTRODUCTION

Over the last several decades the topic of whistleblowing has held a stimulating appeal for numerous popular press and academic authors and readers in the United States. Exposés of dramatic whistleblowing incidents have become commonplace on television news documentaries and in newspapers. Nonetheless, after two decades of serious attention, whistleblowing remains a difficult concept to define, many of its implications are relatively understudied, and serious disagreements persist about how to characterize it. Depending upon one’s normative vantage point and methods of study, whistleblowing may be regarded as self-sacrificing, altruistic action or as a self-serving method to attack one’s political or organizational enemies. Popular definitions, taken as a whole, illustrate a general failure to draw important distinctions among closely-related behaviors. In addition, various researchers have emphasized the “motives” and personality characteristics of those who blow the whistle, while failing to elaborate how the experience itself might have shaped the values, attitudes, and behaviors of the whistleblower. Having emphasized personality traits, they also have been distracted from the disparate contexts and supervisory behaviors that give rise to and sometimes accelerate dramatic incidents that “go public.”

In this paper we draw evidence from a broad ethnographic study and further inductive analysis of a number of whistleblowing cases to particularize a range of dissent behaviors that fall under prevailing definitions of whistleblowing. We also explore the organizational factors that prime and ignite whistleblowing, and we build exploratory theory grounded in the social context (Strauss, 1987; Strauss & Corbin, 1998) of public agency experiences. We offer a discussion of implications for facilitating organizational conflict in ways that preclude organizational dissent from needing to “go public,” and conclude with suggestions about how national and administrative cultures may influence the expression of whistleblowing and management’s response to it.

In our paper we will review the extant literature, with special attention to recent developments from public administration and other fields. We will then offer a restrictive definition for whistleblowing and situate whistleblowing behavior within an array of forms of organizational dissent. As an extension of this array of dissent behaviors, we will illustrate how whistleblowing may be understood as a dynamic process, arising initially as other forms of dissent, but shaped by context and, especially, management response, to become a form of dissent that goes public. And, as promised above, we conclude with a discussion of implications from our model for non-American settings and for potential managerial interventions.

TRADITIONAL AND CURRENT CHARACTERIZATIONS OF WHISTLEBLOWING

Much of the early literature on whistleblowing, especially from occupational and organizational sociology, was characterized by dramatic, detailed cases and emphasis on the progression of actions of the cases’ various participants (e.g., Bok, 1982; Johnson & Kraft, 1990; Perrucci, Anderson, Schendel, & Trachtman, 1980). This is not surprising, given sociologists’ interest in social context and the tendency for qualitative, inductive methods to be employed initially to explore interesting new phenomena. As the
field matured, however, and as scholars from other fields began to take an interest, studies in the hypothetico-deductive tradition began to emerge and others in the qualitative-inductive mode sought to further refine our understanding of the whistleblowing phenomenon. In particular, these various studies began to characterize and delimit the various determinants and consequences of whistleblowing incidents and the characteristics of individuals who engage in whistleblowing. A variety of studies focusing on the personalities and motivations of whistleblowers have variously characterized them as ethically rigid, self-efficacious, high performers who, by comparison to others in their workplaces, are more likely to be highly moral and possess an internal locus of control (Graham, 1986; Jos, Tompkins, & Hays, 1989; Glazer & Glazer, 1989; Miceli & Near, 1992). Brewer and Selden (1998) found public sector whistleblowers to be high performers with high levels of public service motivation. Another comprehensive, large-N study has found mixed evidence regarding the ages, education, sex, class, and religiosity of whistleblowers (Rothschild & Miethe, 1999). Whistleblowers have been variously characterized as selfless and altruistic (Jos et al., 1989; Glazer & Glazer, 1989), greedy and self-interested (Cockerham, 1989; Waldman, 1991), and organizationally naïve (Miethe & Rothschild, 1994; Rothschild & Miethe, 1999).

Several studies have attempted to catalog the situational and organizational determinants of whistleblowing, variously attending to the organizational rank of the whistleblower (Miethe & Rothschild, 1994) and the whistleblower’s bosses (Keenan, 1990, 2002), the gravity of the offense being reported (USMPB, 1981), and characteristics of organizational structure (King, 1999; Rothschild & Miethe, 1999) and organizational culture (Berry, 1999; Rothschild & Miethe, 1999). Other recent research has attempted to characterize the effectiveness of whistleblowing in correcting organizational irregularities (e.g., Miceli & Near, 2002) or to characterize other consequences of whistleblowing. Several studies (e.g., (Jos et al. 1989; Glazer & Glazer 1989; Rothschild & Miethe 1999; Alford 1999) have found that retaliation against whistleblowers is common and severe. And Jim Perry’s (1993) studies with multiple source data from federal agencies and individuals under protection from the Whistleblowers’ Protection Act revealed that whistleblowing does not create significant organizational change and that whistleblowers’ external reporting (i.e., “going public”) tends to reduce management’s organizational autonomy and therefore increase accountability.

Limitations in the studies and in theorizing about whistleblowing. When examined in its entirety, the literature on whistleblowing reveals some problems. Interviews and surveys conducted with whistleblowers, for example, often have had methodological biases because their subjects were sampled principally from among individuals who have sought whistleblower protection (e.g., Jos et al., 1989; Rothschild & Miethe, 1994) or were selected from convenient populations, such as auditors and ombudsmen (e.g. Miceli, Near & Schwenk, 1991), whose organizational roles made them inappropriate for a representative overview of whistleblowing. We might reasonably expect that the experiences of role-prescribed reporting would be quite different than those whose whistleblowing is out-of-role behavior. And, as Perry (1993) has noted, samples from whistleblower protection programs are likely to under represent whistleblowers who achieve results that they find satisfying.

As an additional critique, if samples favor those who have sought whistleblower protection, we might question whether their respondents are disproportionately stigmatized from their experiences. In addition, studies based on these samples cannot fully distinguish whether the characteristic personalities and motivations of these individuals were predisposing factors that led to their whistleblowing or traits that resulted from their involvement in whistleblowing. Moreover, studies that focus on organizational climate and individual predispositions measure “perceptions” rather than behavior, and such studies necessarily suffer from the social desirability biases of respondents. Finally, whereas case studies may emphasize unique rather than generalizable results, cross-sectional designs, on the other hand, create their own specific problem in that they assume a singular act rather than being able to capture the dynamics of interaction between employee and bosses.

Two additional problems with the literature as a whole are, in our view, more fundamental. First, until recently the literature has been plagued by a lack of specificity in the definitions of whistleblowing that various studies have applied (cf. Gundlach, Douglas, & Martinko, 2003; Jubb, 1999). Second, most
scholars in this field have failed to distinguish whistleblowing from other forms of organizational dissent (cf. Hodson, 1991; Brower, 1995; Brower & Abolafia, 1996, 1997). These two problems are closely related to each other. When whistleblowing studies fail to distinguish between cases that involve reporting wrongdoing through approved channels and others that go through unapproved channels, and, especially, those that “go public,” important distinguishing features get lost in the process. By contrast, as our own analysis will show, an appreciation of the distinguishing features of various forms of dissent permits an understanding of whistleblowing as part of a dynamic process that initially begins as other, simpler and more “acceptable,” forms of organizational dissent.

A TAXONOMY OF ORGANIZATIONAL DISSENT

The present paper extends a taxonomy originally presented by Brower and Abolafia (Brower, 1995; Brower & Abolafia, 1996, 1997). This taxonomy was derived inductively from a grounded analysis of 139 episodes of dissent behaviors in public bureaucracies. In this study 71 informants provided episodes in which they had been either the “agents” (70 episodes) of dissent or “targets” (69 episodes) of others’ dissent behaviors. Following analytic strategies proposed by Glaser and Strauss (1967; Strauss, 1987; Strauss & Corbin, 1990), the resulting taxonomy is grounded in the everyday experiences and cultural and structural contexts of public managers. This process identified seven general categories of dissent strategy and several sub-categories. The analysis also identified a series of dimensions that distinguish the various strategies. Two of those dimensions are important for distinguishing whistleblowing from other forms of dissent: Detachment-engagement and internal vs. external. These two dimensions and related forms of dissent are captured in figure one, below.¹

Figure 1: A Two-Dimensional Taxonomy of Organizational Dissent

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Detachment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal to the Organization</td>
<td></td>
</tr>
<tr>
<td>Voice</td>
<td>Footdragging</td>
</tr>
<tr>
<td>Desistance</td>
<td>Withdrawal</td>
</tr>
<tr>
<td>Procedural Entrepreneurship</td>
<td>“Lumping It”</td>
</tr>
<tr>
<td>External to the Organization</td>
<td></td>
</tr>
<tr>
<td>Leaks</td>
<td>Exit</td>
</tr>
<tr>
<td>Engaging External Stakeholders</td>
<td></td>
</tr>
<tr>
<td>Whistleblowing</td>
<td></td>
</tr>
</tbody>
</table>

The engagement-detachment question essentially asks whether the dissenter takes action to try to engage and remedy or change the problem that he or she perceives as opposed to retreating from it and leaving it to others to deal with. The internal-external question asks whether the dissenting behavior is directed toward others internal to the organization or toward the organization’s external environment. Figure 1 illustrates ten prominent dissenting strategies and sub-categories of strategy. Voice, desistance, and procedural entrepreneurship are behaviors that engage the perceived problem and do so by targeting others within the organization who are perceived to be able to remedy the situation. Voice in this usage is a narrower conception than that offered by Hirschman (1970); specifically, whereas Hirschman’s use of the term implies essentially all outward forms of protest, voice is used here to refer to complaints taken to individuals such as supervisors, auditors, and so on, whose positions prescribe that they are responsible to take action. Desistance can be explained symbolically as “standing on one’s hind legs” and refusing openly to take actions bosses have instructed the individual to take because the individual feels the

¹ For an expanded description of these behavioral strategies see Brower and Abolafia (1997).
directive asks him or her to take action that is illegal, unethical, or unfair. Procedural entrepreneurship, which takes several forms, is an effort by the individual to rework the rules or routines to get past bureaucratic obstructions.

Footdragging, withdrawal, and “lumping it” are behaviors directed internally in the organization in which the individual dissenter essentially withdraws effort. They are similar in nature to the “neglect” category suggested by Lowery and Rusbult (1986) as an extension of Hirschman’s (1970) tri-modal model of exit, voice, and loyalty. Footdragging involves a multitude of sub-strategies in which employees physically restrict the quantity and/or quality of their work output. Withdrawal is similar, but it involves psychological detachment rather than physically restricting output. Examples would include an employee maintaining the usual and expected output of work but merely withholding information that would be helpful to the boss, or could involve following directions explicitly while not pointing out to the boss that his or her directions are likely to have perilous consequences. “Lumping it” is actually a form of inaction; it is often a behavioral holding pattern in which the individual merely “takes his or her lumps” until a subsequent opportunity for another mode of dissenting behavior presents itself.

Exit is the principal behavioral strategy that involves disengagement directed externally. It is consistent with Hirschman’s (1970) “exit” strategy, in which the individual who disapproves of conditions or activities in the organizations resigns from the organization rather than take any action to engage the perceived organizational wrongdoing.

Finally, in the quadrant most central to our analysis, leaks, engaging external stakeholders, and whistleblowing are dissenting behaviors that are intended to correct a perceived problem or wrongdoing by directing information or activity external to the organization. As our subsequent discussion will illustrate, leaks are distinguished from whistleblowing in that they involve a single release of information to an external party whom the dissenter perceives will be interested in and use the information to effect a change in agency behavior or policy. The dissenter who engages in leaking typically remains anonymous, not only to the public, but also often to the external party to whom the information is conveyed. Engaging external stakeholders involves an agency insider releasing privileged information, often on an ongoing basis, to an external interest group with whom the dissenter shares policy preferences. Because the interest group values the ongoing receipt of information, they help protect the informant’s identity. Many of these relationships persist over a number of years. In our subsequent discussion we elaborate how whistleblowing is different than these two strategies.

ABOUT THE STUDY

In our ongoing analysis we are extending the inductive analysis of seven cases of whistleblowing from Brower’s (1995) earlier study and examining 22 new cases in addition. Analysis of the 29 cases employs comparative case analysis (Miles & Huberman, 1994) and grounded analytic methods (e.g., Strauss, 1987; Strauss & Corbin, 1990). Since the study is still ongoing, we offer tentative findings here rather than extensive analysis.

A DYNAMIC MODEL OF WHISTLEBLOWING AS PROCESS

Several key observations, summarized as follows, arise from the ongoing analysis.

- **Escalation**: Virtually all cases begin as small scale conflicts that escalated to greater proportions.

- **Dissent Begins as Internal “Voice”**: Typically those who ultimately engaged in whistleblowing initiated internal dissent strategies first. Internal “voice” was the most commonly used initial strategy.

- **Managerial Response Triggers Escalation**: Managers typically ignored or punished the internal dissent. The whistleblowers then responded to protect themselves from retribution or to attempt to regain a sense of personal integrity.
Whistleblowers Well-Educated: Almost universally our whistleblowers were supervisors or technical staff professionals dealing with sensitive information or controversial scientific evidence.

Whistleblowing as Dialectical Outcome. Rothschild and Miethe (1994) recently posited that the experience of reporting perceived misconduct and then suffering reprisals "transforms and politicizes the individual," (p. 254) and that this dialectical process is what defines whistleblowing as a form of dissent. They argue that most whistleblowers initially believe naively that their bosses will want to hear about the misconduct they have observed. They learn the hard way that the accusations actually threaten the boss, causing him or her to resolve the contradiction by punishing and thereby silencing the messenger. The Rothschild and Miethe (1994) thesis raises the possibility that many voice actions are potential whistleblows in the making, and that it is the trajectory of actions from bosses and complainants that creates a scenario that, after the fact, proves to have been whistleblowing. If whistleblowing is a phenomenon created by a dialectical sequence of political actions and reprisals, then perhaps a search for "successful" whistleblowers points instead to other strategies of dissent.

One possibility is that successful would-be whistleblowers do not actually access external interests. Indeed, whistleblowing may be the result of failed efforts at strategies of voice. Others who meet with success, thereby obviating the act of whistleblowing, may be among those who would be characterized as enacting alternative channels. That is, many end run episodes may approximate a form of internal whistleblowing. Pushing the Rothschild and Miethe thesis to its logical conclusion, then, whistleblowers may be those dissenters who fail at voice and/or end running. Having raised ire and reprisal from their bosses, they then seek out external constituencies that can protect them from retribution and assist them in gaining revenge. The act of “going public,” therefore, is a central distinguishing factor that separates whistleblowing from other forms of organizational protest.

Following the recent efforts of Jubb (1999) to provide a specific and limiting definition of whistleblowing, our analysis suggests several necessary elements for a model of whistleblowing. In this approach whistleblowing is:

- **An act of public disclosure;** the act of going public creates distinctive consequences and is typically provoked by dynamics that are not necessarily present in other forms of organizational dissent.

- **Deliberate;** because the whistleblower is seeking protection from retribution and/ or seeks to redeem his or her professional identity, these are not casual or accidental actions.

- **Non-obligatory;** the dynamics of managerial retribution or intimidation and subsequent whistleblower response are distinctive features of whistleblowing, and these features are absent when auditors and others engage in role-prescribed reporting of wrongdoing.

- **From a person with privileged access to information or data;** the privileged nature of the information adds to the gravity of management’s initial response and later often leads to identifying the whistleblower.

- **Of actual, anticipated, or suspected non-trivial illegality or wrongdoing;** the gravity of the wrongdoing contributes to the severity of management’s apprehension and response to the initial internal expression of “voice.”

- **That is under the organization’s control;** the inference that management could be held responsible triggers management’s response and subsequently “transforms and politicizes” the individual, who has naively assumed that managers will want to know about and correct the
wrongdoing.

DISTINGUISHING BETWEEN INTERNAL “VOICE” AND “GOING PUBLIC”

It becomes apparent in our model that it is important to distinguish between internal expressions of organizational dissent, such as exercising voice, and the more dramatic activity that we characterize as whistleblowing. This distinction is important for at least five reasons. First, it makes it possible to capture a sense of the dialectic or dynamic process that typically underlies whistleblowing incidents. Second, it draws attention to managerial retaliation and away form the “difficult” worker. Third, it leads to acknowledging a continuum of political, dissenting behaviors. Fourth, it draws attention to context, including “deviant” cultures, so that conditions that facilitate the wrongdoing receive rightful attention rather than the personality of the individual who blows the whistle. And, finally, the distinction implies a potential for managerial intervention to resolve problems and wrongdoing before they escalate into acts of whistleblowing that are subsequently damaging to both the whistleblower and the organization.

INTRODUCING THE COMPARATIVE PERSPECTIVE: THE CHINESE JUBAO SYSTEM

We can identify at least three important reasons for introducing comparative examples from settings other than the United States, and the occasion of this conference prompts us to apply comparison from what is known about whistleblowing, or its counterpart, jubao, from China. First, the definitional assumptions and ingredients that we and others seek to refine can be more fully elaborated by drawing evidence from a wider set of experiences. Inductive theory building, such as we are engaged in, is especially dependent on checking out alternative settings and variants of the presumed typical form. Second, comparative studies permit onlookers form each respective setting to use the contrasting experience as a mirror for examining the taken-for-granted assumptions that would persist if they had only their own local settings for evidence. Third, experiences from other settings permit us to contemplate practical solutions that others have tried that might not otherwise occur to us. Others’ experiences can lead us to try promising practices and can save us from attempting others that are likely to fail.

The Chinese jubao system, while it is the closest Chinese mechanism to American whistleblowing, is very different. It must be understood in historical context. In 1988, recognizing the corruption that had been brought on by market reforms – and especially related to disruption to traditional control systems and the opportunities brought on by pockets of accumulating wealth – Chinese leaders created a system of jubao centers where officials and average citizens could report acts of corruption.

More than “4,000 centers emerged over the country and received a total of 257,255 reports during their first year” (Gong, 2000, p. 1908). In addition to permitting citizen reports, the jubao system also permits anonymous reporting, such that some centers report that from 60% to 90% of their reports are anonymous (Jong, 2000, p. 1903). Despite the potential for anonymous reports, retaliation is not uncommon. Jong (2000) has noted that, according to official estimates, within the first three years of the system more than 10,000 jubao reporters had suffered some form of retaliation, ranging from “dismissal, job transfer, demotion, to harassment and intimidation, with three being murdered” (p. 1903). The jubao system was intended to perform three functions. It provides leaders with information about their officials and their adherence to rules, it provides a supervisory effect in that officials are reminded to be careful about their performance, and it places a tool in the hands of average citizens to provide protection from corrupt officials (Gong, 2000). As Gong (2000) has pointed out, however, the presence of the jubao system poses a systemic dilemma for Chinese officials: “too much use of it in practice indicates the lack or failure of internal control systems” (p. 1911).

Gong (2000) notes that the effectiveness of the jubao system is not a foregone conclusion, and he identifies four underlying problems that undermine potential effectiveness. The first problem is the “downward forwarding” (chengcheng xiazhuan) system, in which the less dramatic cases are referred

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2 Our description is dependent on Gong (2000); we make no claims to the accuracy of his analysis or his figures.
back to lower level officials to be resolved. In addition to impairing the seriousness that may be attached to the case, the downward forwarding system may increase retribution since the information may end up back in the hands of the wrongdoer. Second, the jubao system is dependent on the party committee for its authority; hence, it is unlikely to be effective in fighting corruption on the part of the very highest officials. Third, since jubao complaints are filed against specific individuals or acts, they will be generally ineffective in addressing systemic corruption. That is, since corruption is often a set of activities shared by an extended network of individuals, the entire network of individuals creates barriers against investigation of the collective. Finally, the extent of policy change in China in recent years, from state socialism toward a relaxed attitude toward market mechanisms, makes the drawing of boundaries around legal and illegal activities very difficult. As new, unanticipated situations arise, rules must change, and often at uneven rates across geographically different areas. Thus, whereas reforms may permit certain activities in one locale, the same activity remains illegal in another locale. Moreover, changing policies create much confusion in the minds of officials and average citizens in terms of what is legal and what is not.

The jubao centers represent, therefore, a system very different than the channels through which Americans blow the whistle. Moreover, the differences beg questions about some of the ingredients of our own emerging model of whistleblowing from American settings. Especially striking to us are the ways that the Chinese system reflect on the “public disclosure” and “non-obligatory” ingredients in our own definition. Clearly the Chinese system permits reports of wrongdoing that do not require “going public.” In addition, although the initial reporting is not done as a role-specific behavior, it is clearly encouraged systemically in a way that American governmental settings do not. It could be argued, however, that the jubao system is really closer to other systems present in the United States, such as ombudsmen, auditors, and inspectors general, than to the distinctive whistleblowing phenomenon that we are currently analyzing. Nonetheless, our effort and the research efforts of others in Western settings would be well advised to proceed in their work such that these substantial differences can be accommodated or, at a minimum, can be explained, in their emergent models. As authors we welcome the suggestions of participants in this conference to enhance our own understanding of the jubao system and to expand our own thinking about the model emerging from our study.

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New Public Management in Japan: Achievements since the mid-90s

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SUMMARY

1. The New Public Management (NPM) in Japan was initially tried and implemented in local governments such as Mie Prefecture and Fukuoka City in the mid-1990s. The central government followed in their path.

2. The NPM initiative started with the disclosure of government information, policy evaluation and performance measurement, and outsourcing and contracting out. However, Japanese government is managed under a strict command and control style (C&C). Tools and ideas were implemented mainly in a way which rarely created conflict with C&C. Therefore, ideas such as delegation of power to the frontline workers and customer orientation were not fully implemented. In other words, E&E style (encouragement and empowerment) was not recognized as key element of NPM.

3. If we use the analogy of the computer, NPM means change of an operating system (OS) from a traditional bureaucratic system to a more dynamic one driven by an incentive mechanism. Only with such a fundamental change, can NPM function, but, so far, NPM in Japan is a movement to introduce and run new application software (AS) on the traditional OS of C&C.

4. Strict regulation on personnel management and budget spending are big obstacles for Japanese NPM. Without deregulation, NPM will be just a new management gadget.

5. NPM in Japan is necessary in society, as well as inside the government. Power and authority should be delegated from central to local government. Government should delegate public service to communities and Not-for-Profit Organizations (NPOs). Japan needs NPM both inside and outside of the government.

Contents:
1. Fact: NPM movement since 1995
2. Result: Conflict with traditional OS (Operational System) of government
3. Lessons and issues toward the future

NPM is a theory and practice developed in Europe. Its key concepts include: (1) result orientation, (2) customer orientation, (3) introduction of incentive mechanism and market competition, and (4) delegation of power to the frontline.

Since its introduction into Japan in the mid-1990s, NPM has been widely supported by leaders, but its implementation has been limited. In this article, I will examine the following questions: How was it introduced? How was it supported and experimented with? Why was it not fully implemented? I will also discuss what the next steps should be.

FACT: NPM MOVEMENT SINCE 1995

David Osborne and Ted Gaebler. Mr. Masayasu Kitagawa, a new governor of Mie, read it and was impressed. Since then, he has started to promote NPM. “The Nikkei Business”, a major weekly business magazine, also reported best practices of several municipal government reforms in the U.S. around the same time. This article triggered the idea of “running government like a business”.

Since the mid-1990s, new types of governors and mayors who refused to receive support from any political parties were elected. Mr. Kitagawa was one of them. Most of them supported NPM and used NPM as a basic principle for administrative reform. They started to disclose government information to the public. They emphasized the importance of results for taxpayers. They also used the word of “customer” so that government employees would consider the needs of the taxpayer, rather than internal rules and procedures.

Some of them, such as Mr. Kitagawa, Mr. Hiroya Masuda (Governor of Iwate Prefecture) and Mr. Hirotarō Yamazaki (Mayor of Fukuoka City) also introduced Total Quality Management (TQM). They asked business leaders for advice and sometimes hired business management consultants.

In the case of Mie Prefecture, Noritsu Kyokai, was hired by the local government. They proposed a unique performance measurement system that is named “Task-Project Evaluation System (TPES)”. This method required serious research on effectiveness and efficiency for all tasks and projects at the division level. In TPES, process, purpose, expected outcome, output and input (budget and staff) were disclosed. They used TPES information as a catalyst to initiate serious discussions about the mission and value of the work. “TPES” had a very simple structure. Mie prefecture disclosed all TPES information sheets to the public. Newspapers occasionally published articles on TPES. All these factors helped “TPES” be accepted in local governments around the country in a few years. Not many of them, however, introduced “TPES” as a tool of TQM or bottom-up improvement activity. They were rather fascinated by the idea of evaluation and outcome measurement so that they used it as a new tool to cut the budget. Although “TPES” was not originally designed for budget control, because of this, its image as a budget control tool grew. Anyway, the national boom of “TPES” initiated the new age of “evaluation” in government management. Therefore, for most of officials, NPM means disclosure and evaluation rather than performance improvement, delegation and encouragement. They did not try to eliminate internal red tape, and they did not feel the need to shift from C&C to E&E.

However, there are several exceptions. In Fukuoka City, a special committee for reform was organized. The chairman was Mr. Ishii (Chairman of Japan Railways Kyushu). All members had working experience at private companies. The committee recommended that the mayor start TQM at the division level. This movement was later named the “DNA movement”. This approach was widely supported by employees and media.

At the central government, NPM was recognized as an initiative mainly after 2000 under Koizumi Administration. Until then, the central government just followed the movement at the local government. They passed new laws such as the Government Information Disclosure Law and Government Policy Evaluation Law. They were also keen on combining ministries.

In 1997, Prime Minister Hashimoto initiated central government reform. He led the merger of ministries. He successfully reduced their numbers from 21 to 13. In Hashimoto Reform, the Japanese version of the British agency system was also installed. However, these instruments were not systematically integrated. The concept of NPM was not yet authorized. Overall, limited investigation of NPM was done in the 1990s at the central level.

In 2000, Mr. Heizo Takanaka, Minister of Economic Affairs and Financial Institution, undertook an initiative to rationalize government spending. He used NPM as a principle to streamline spending and organization. He pushed the cabinet offices to announce the installment of NPM. Research on NPM theory and best practices at local government started. For example, the Ministry of the Post, Telecommunication and General Administrative Coordination organized a working group of scholars on NPM. This group proposed a strategy to apply NPM in Japan. However, no specific action has been taken yet.

Overall, NPM in Japan has been led and promoted by governors, mayors and consultants. Western theories and best practices in the US were widely shared and supported, but implementation was
limited to disclosure and performance measurement. The expectation surrounding NPM was sometimes of budget cuts. The importance of productivity improvement through delegation of power, incentive mechanisms and E&E were not understood well.

RESULT: CONFLICT WITH TRADITIONAL OS (OPERATION SYSTEM)

Visible achievements of the NPM movement since the mid-90s are as follows:

1. Disclosure of government information was established as a standard procedure. Transparency of government activity and spending became an important discipline both inside and outside the bureaucracy. Reflecting this, the number of bribery cases reported to the authorities increased.

2. Evaluation became an important practice. Traditionally, the Japanese government emphasized the importance of planning, but, now, evaluation became more important. In the policy-making and budgeting process, explanation of the “outcome”, “output” and “input” was required. New organizational divisions for evaluation were established at all ministries and most of the local governments.

3. Evaluation contributed to the reduction of government spending. The evaluation report was used to rationalize budget allocation of specific tasks and projects. In Mie Prefecture, the amount of reduction was about $473 million between FY1996 and FY2000.

4. The term of “expected outcome” was generally used in the policymaking process. Without adequate rationale, any new policy is not accepted.

5. At the local government level, “customer orientation” became one of the key principles for management. Indicators such as waiting time or openness became key management and communication tools.

6. NPM and the idea of “running government like a business” are widely supported by the people. Unions are not reluctant to learn from NPM.

7. Respect for the management skill of private companies was established among bureaucrats. Outsourcing and privatization also began in such areas as building operation, clerical jobs and logistics.

8. Business leaders and scholars began participating in the policy making process. Several ministers appointed under the Koizumi Administration were not life-time politicians. In each ministry, the number of political appointees was increased.

9. Special committees appointed by the prime minister, or governor or mayor were often organized so that they could propose out-of-the-box solutions. For example, Prime Minister Koizumi appointed the “Privatization Committee of Japan High Way Corporation” in 2001. They proposed a radical plan of privatization.

10. News coverage of the reform at local government increased. Major papers and TV rarely reported reform at local government until then. Since the late 1990s, governors such as Mr.Kitagawa, Mr. Yasuo Tanaka (Governor of Nagano) and Mr. Shintaro Ishihara (Governor of Tokyo) have become popular nationwide. They also influenced parliamentary elections. Political parties cannot neglect their opinions.

On the other hand, NPM in Japan did not realize the following aspects:

1. Delegation of power from central to local government is still limited. Prime Ministers since
Hashimoto have consistently repeated the importance of power delegation to the local government, but achievements are very limited to peripheral areas. Efforts to delegate authority, budget and taxation began in 2003, but, ministries are reluctant to do so.

(2) The importance of the shift from C&C to E&E is not yet fully understood. There is a strong fear of power abuse by frontline employees. The necessity of having incentives for a change process is not well recognized as well. The reasons behind this are (i) the rigid rules in personnel management and budget spending, (ii) denial of the individual responsibility and initiative at bureaucracy, and (iii) politicians and people expect strict command and control management of bureaucrats reflecting recent skepticism about their behavior and abuse of the power.

(3) A results-orientation is widely accepted, but, improvement/achievement is limited. This is mainly because the evaluation criterion is still on due process. They are not based on rationales deriving from benefit of taxpayers.

(4) Evaluation is conceived as a one-time-shot inspection rather than as a continuous process of PDS (Plan-Do-See). The following two factors can explain this. The Government Policy Evaluation Law did not clarify the difference between performance measurement and evaluation/inspection. The idea of “organization learning by trial and error” was not accepted in traditional rigid legal structure.

(5) Because of the serious budget deficit, the expectation of NPM reform was mainly budget reduction. As a result, activities such as TQM were not well considered.

(6) In the UK, NPM came after privatization and installment of the agency system. NPM was the last resort to change the government after these radical change efforts. In contrast, NPM is introduced as a start kit tool of change in Japan. Because of this, the concept of NPM was vague in Japan.

(7) Because of the lifetime employment system, leaders at government and scholars have no experience in working outside their organization. They cannot develop strong confidence on “business management skill” and its relevancy to government.

(8) Scholars regard NPM as an Anglo-Saxon model of public administration. Some of them think it is not applicable in Japan where German-French style of public law is established.

In conclusion, Japanese government leaders agreed on the introduction of NPM. They welcomed the idea of “running government like a business”, but in reality, only limited management tools such as information disclosure and an evaluation system were introduced. Serious budget deficits, bribery scandal cases and illegal spending issues drove reform in the 1990s. To recover credibility, government started to learn from the business and the reform of Western countries such as the US and the UK. But, they made cherry picking of some management tools. NPM was thus converted to a handy toolbox to regain power and credibility for traditional bureaucratic management.

LESSONS AND ISSUES TOWARD THE FUTURE

Efforts since the mid-1990s to implement NPM in Japan helped us uncover fundamental issues in the Japanese public sector. Lessons from the last 8 years are as follows:

First, NPM reform is more effective and applicable at the local government where the value for taxpayers’ money is more visible. In the central government, the notion of customer orientation is not so applicable since they rarely get direct response from beneficiaries of public services. Results also take
place more often at local level. The future model of Japanese NPM will be developed from the local government, particularly around TQM activities.

Second, NPM has been understood as a set of new management tools rather than as fundamental change of OS. NPM, in reality, provided an opportunity to introduce various business management tools such as government information disclosure, policy evaluation and performance measurement, and outsourcing including private finance initiatives (PFI). However, after several years, leaders now understand that NPM goes beyond introduction of business tools.

Third, in the Japanese NPM movement, the need to shift from C&C to E&E was rarely accepted. In fact, the introduction of some business management tools even reinforced C&C. A typical example was TPES. Originally in Mie prefecture, TPES was designed to encourage frontline staff to start PDS by themselves. But, in the central government and in other local government, it was used by budget controllers to proactively inspect inefficiency. Leaders should pay more attention to the benefit of total productivity increase by adapting E&E.

Fourth, NPM, by its nature, does not fit in a rigid authorization and institutionalization process. However, the Japanese government uses a very strict authorization process for any initiatives. This is a big risk. The more NPM is supported, the more it becomes institutionalized; then E&E elements may be eliminated. To some extent, the institutionalization of NPM is necessary, but maintaining its impromptu live management style is a big challenge.

Finally, NPM movement is required in the society as well as in the government. Government should delegate more public service to the community, NPOs and people. The central government should also delegate its work and authority to local government.

“P”of the NPM means “public.” The real challenge for the Japanese NPM is to redefine what “public” means. To do that, clarification of the roles of government, NPOs and the local community is necessary. Only with such an effort will NPM inside the government function well.

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BASIC TREND OF GENERAL PRICE LEVEL AND ECONOMIC GROWTH

Between 1992 and 1994, China experienced a higher inflation with over-high economic growth rate. The Chinese government adopted a contractionary policy to check the inflation since the mid-1993, and achieved so-called “soft landing” at the end of 1996. However, the trend changed dramatically in 1997. Deflation has emerged along with the slowdown of the growth rate. Here is a table of economic growth and price indexes from 1992 to 2002.

Table 1 and Figure 1 and 2 show the trends.

<table>
<thead>
<tr>
<th>Year</th>
<th>CPI</th>
<th>RPI</th>
<th>PPI</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>6.4</td>
<td>5.4</td>
<td>6.8</td>
<td>14.2</td>
</tr>
<tr>
<td>1993</td>
<td>14.7</td>
<td>13.2</td>
<td>24.0</td>
<td>13.5</td>
</tr>
<tr>
<td>1994</td>
<td>24.1</td>
<td>21.7</td>
<td>19.5</td>
<td>12.6</td>
</tr>
<tr>
<td>1995</td>
<td>17.1</td>
<td>14.8</td>
<td>14.9</td>
<td>10.5</td>
</tr>
<tr>
<td>1996</td>
<td>8.3</td>
<td>6.1</td>
<td>2.9</td>
<td>9.1</td>
</tr>
<tr>
<td>1997</td>
<td>2.8</td>
<td>0.8</td>
<td>-0.3</td>
<td>8.8</td>
</tr>
<tr>
<td>1998</td>
<td>-0.8</td>
<td>-2.6</td>
<td>-4.1</td>
<td>7.8</td>
</tr>
<tr>
<td>1999</td>
<td>-1.4</td>
<td>-3.0</td>
<td>-2.4</td>
<td>7.1</td>
</tr>
<tr>
<td>2000</td>
<td>0.4</td>
<td>-1.5</td>
<td>2.8</td>
<td>8.0</td>
</tr>
<tr>
<td>2001</td>
<td>0.7</td>
<td>-0.8</td>
<td>-1.3</td>
<td>7.3</td>
</tr>
<tr>
<td>2002</td>
<td>-0.8</td>
<td>-1.3</td>
<td>-2.2</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Source: China Statistics Yearbook 2003

* Professor of Economics, Vice Dean, School of Public Administration, Renmin University of China.
The Table and Figures show that the GDP growth rate has declined since 1997. According to statistics, the average annual growth rate is 7.5-8%. This rate is lower than that of 1996-2001 which is 8.1%, and lower than that of 1991-1995 which is 12%.

There are three kinds of price indexes in China. CPI---consumer price index of households; RPI---retail price index of consumer goods; and PPI—producer’s price index for manufactured goods. All of these indexes declined in the period, but CPI has changed with downs and ups. RPI and PPI have decreased remarkably. Economists in China have different opinions about deflation according to different price indexes.

However, the macroeconomic trend has changed dramatically since 2003. According to statistics, compared with the previous year, GDP increased 9.1%, CPI increased 1.2%, RPI decreased 0.1%, PPI increased 2.3%. The trend of increasing prices in this year has developed into a kind of moderate
inflation. Compared with the same period of last year, price increased continuously in the period of first half year of 2004. CPI increased 3.6%, RPI decreased 2.4%, PPI increased 4.7% and GDP increased 9.7%.

**ANALYSIS OF THE CAUSES OF DEFLATION IN THE PERIOD OF 1997-2002**

**Demand side**

Table 2 shows the movement of investment, consumption and net export since 1996.

Table 2.

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment of fixed assets</th>
<th>Total retail of consumer goods</th>
<th>Net exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>114.8</td>
<td>120.2</td>
<td>72.6</td>
</tr>
<tr>
<td>1997</td>
<td>108.8</td>
<td>110.2</td>
<td>329.2</td>
</tr>
<tr>
<td>1998</td>
<td>113.9</td>
<td>106.8</td>
<td>107.5</td>
</tr>
<tr>
<td>1999</td>
<td>105.1</td>
<td>106.8</td>
<td>67.2</td>
</tr>
<tr>
<td>2000</td>
<td>110.3</td>
<td>109.7</td>
<td>82.4</td>
</tr>
<tr>
<td>2001</td>
<td>113.0</td>
<td>110.1</td>
<td>93.4</td>
</tr>
<tr>
<td>2002</td>
<td>116.1</td>
<td>108.8</td>
<td>135.1</td>
</tr>
</tbody>
</table>


We could conclude that the slowdown of net exports increase since 1997 has played a great role for the decline of demand. It also shows that the slowdown of consumption is remarkable compared with the increase of investment.

**Reasons for the slowdown of growth of consumption**

First of all, the slow growth of income would be a major reason. There is a trend of decline of share of final consumption in GDP since 1990s.

Table 3.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>62.1</td>
<td>64.3</td>
<td>67.5</td>
<td>65.7</td>
<td>62.0</td>
<td>57.5</td>
<td>58.5</td>
<td>58.2</td>
<td>58.7</td>
<td>60.2</td>
<td>61.1</td>
<td>59.8</td>
</tr>
</tbody>
</table>

There is another trend about the growth and distribution of income that goes along with the growth of income. The income gap between rural households and urban households has been widening and the increase of consumption of rural households has been limited based on the slow growth of income. Table 4 shows the trend.

### Table 4  the annual growth rate of real income of households in 1996—2002 ( % )

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban households</th>
<th>Rural households</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>3.8</td>
<td>9.0</td>
</tr>
<tr>
<td>1997</td>
<td>3.4</td>
<td>4.6</td>
</tr>
<tr>
<td>1998</td>
<td>5.8</td>
<td>4.3</td>
</tr>
<tr>
<td>1999</td>
<td>9.3</td>
<td>3.8</td>
</tr>
<tr>
<td>2000</td>
<td>6.4</td>
<td>2.1</td>
</tr>
<tr>
<td>2001</td>
<td>8.5</td>
<td>4.2</td>
</tr>
<tr>
<td>2002</td>
<td>13.4</td>
<td>4.8</td>
</tr>
</tbody>
</table>


Secondly, the change of expectation played a special role in the slowdown of domestic demand. Since 1997, the reform of state-owned enterprises has produced many laid-off workers and there is a negative impact for consumption expectation. Reform of the housing system, health care and education has indicated an increase of expenditure in the future. The change of expectation of urban households would make them reduce the current consumption to save for the future.

**Decrease trend of labor cost.**

There is an inevitable trend of industrialization and modernization for surplus rural labor to move to non-agricultural sectors, and to cities and towns. There is also a trend of slow growth of labor cost just because of the surplus labor supply. I suggest this trend would contribute to the deflation to some extent.

**Slow growth of money supply.**

There is a trend for money supply that is a lower growth rate since 1997.

### Table 5. Annual growth rate of money supply in 1996—2002 ( % )

<table>
<thead>
<tr>
<th>Year</th>
<th>M2</th>
<th>M1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997.12</td>
<td>19.6</td>
<td>22.1</td>
</tr>
<tr>
<td>1998.12</td>
<td>14.8</td>
<td>11.9</td>
</tr>
<tr>
<td>1999.12</td>
<td>14.7</td>
<td>17.7</td>
</tr>
<tr>
<td>2000.12</td>
<td>12.3</td>
<td>15.9</td>
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<tr>
<td>2001.12</td>
<td>17.6</td>
<td>12.7</td>
</tr>
<tr>
<td>2002.12</td>
<td>16.8</td>
<td>18.4</td>
</tr>
<tr>
<td>2003.12</td>
<td>18.5</td>
<td>18.7</td>
</tr>
</tbody>
</table>

The table shows that the increased rates from 1998 to 2002 are very low compared with other years. The slowdown of growth of money supply is a key factor to deflation. There are several explanations for the slowdown. There has been a phenomenon of “cautions about making loans” to enterprises, particularly to privately-owned small and medium-sized enterprises (SMEs) in recent years. The strengthening of financial risk control in the state-owned commercial banks and the lack of a profit incentive mechanism would be main factors for this phenomenon. It is always difficult for SMEs to get loans from banks. The major reason would be that there are not enough local small and medium banks in China. The main reason for the slow growth of money supply would be institutional.

ANALYSIS FOR THE CAUSES OF INFLATION SINCE 2003

The increase of the general price level since 2003 has been an important issue in current China. Some economists believe that the main cause should be the rapid increase of food prices as well as grain prices. According to the statistics, food prices increased 3.4% from 2002 to 2003. Food prices increased 9.5% in the first half of 2003 compared with the same period in the previous year. Given that the share of food in the CPI is 33.6%, the increase of food would play an important role for the inflation.

However, the acceleration of investment growth of fixed assets should be the main reason for the inflation and higher GDP growth. The investment in 2003 is 26.7% higher than 2002, and the investment in the first half of 2004 is 28.6% higher than the same period previous year. The rapid increase of investment has been the main component of increases of aggregated demand.

POLICIES TO CHECK DEFLATION

The central government began to adjust the direction of macroeconomic policies to check the deflation and to adopt a proactive fiscal policy and a sound monetary policy since 1998. In order to subdue the effects of the Asian financial crisis, the Chinese government implemented an expansionary fiscal policy in mid-1998 and issued CNY100 billion long-term construction bounds. The expansionary fiscal policy has been maintained since then and the total state bounds reached CNY660 billion to the end of 2002.

There are two kinds of expansionary fiscal policies according to macroeconomics, i.e. tax-cut and spending expansion. Currently in China, it is not feasible to take the tax-cut. There are varied quasi-fiscal burdens on enterprises and farmers. The enterprises and farmers have to pay tax and other administrative charges. If the government takes tax-cut and maintains the no-tax burdens, there would not be projected effects.

The expansion of government spending has been the main fiscal policy since 1998 and the spending was used mainly to increase investment in infrastructure; the key projects include the rural electricity power network, flood protection structures along major rivers and lakes, environment protection projects, highways and public works in western regions.

Facts have proved that the fiscal policy decisions taken by the government since 1998 have made great achievements. According to a study, the CNY 660 billion construction binding has played a substantial role in the growth of GDP that accounted for about 1.5%-2% of the annual growth rate since 1998.

However, some negative effects with the implementation of expansionary fiscal policy should be studied. First of all, the amount of deficit has increased remarkably, though the ratio of deficit to GDP is below the risk point. Secondly, along with the increase of the public investment, the investment efficiency would possibly be reduced and the risk of waste and corruption increased. Thirdly, the “crowding-out effect” would emerge if the amount of public spending is too big and the areas of investment are not strictly limited.
In order to expand the domestic demand, the Chinese central bank—Peo-ple’s Bank of China decreased interest rates 8 times. The annual interest rate of one-year term fixed household saving deposits decreased from 7.47% in 1996 to 1.98% in 2002 and the interest rate of short term (less than 6 months) loans decreased from 10.08% in 1996 to 5.31% in 2002. According to an estimate, the interest rate cuts from 1996 to 2002 have made the interest spending of enterprises decrease by 300 billion and played a great role in speeding up investment.

There are two kinds of policies to increase the consumption level of households in rural areas. Increase of income of farmers on one hand and the reduction of farmers’ fiscal burdens on the other. The heavy financial burden on farmers has produced many negative impacts on farmers’ living as well as rural development. It has been a major factor for the widening gap of living standards between rural and urban households. Based on the experience of experimental reform in Anhui Province, the central government has made the decision to speed up the reform of tax and administrative charges systems in most parts of the nation.

It is crucial also to establish a well-functioning social security system for the increase of consumption demand in urban areas.

In order to promote exports, the Chinese government has taken varied policies under the stable exchange rate of RMB. The tax-rebate has been one of the major policy instruments in recent years. However, how to encourage export in line with the basic principles of the World Trade Organization (WTO) would be an important policy issue in China. The most important should be the reform of the foreign trade system and relevant taxation and financing system.

THE NEW MACROECONOMIC POLICIES SINCE 2003

In order to prevent the over-heating of economic growth and higher inflation, the central government began to adjust the direction of macroeconomic policies in the second half of 2003. The People’s Bank of China (PBC) increased the ratio of the reserve two times in September of 2003, and April of 2004 from 6% to 7.5% in order to restrict the commercial bank’s lending. However, the interest rates have not changed since then, nor has the proactive fiscal policy. How to adjust the interest rates is a hot issue in China now. I think it should be a right policy to increase the rates to keep in line with the inflation rates.

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Development of Urban Community Organizations in Contemporary China

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INTRODUCTION

In China, the status of self-governance organizations in urban residential areas represents the relationship between the state and the civil society. Some scholars pointed out that the changes and development of residents’ organizations in contemporary urban communities are the indicators of the citizen consciousness and the beginning of self-governance, and also demonstrate participatory demands of urban residents (Shangli, Lin, 2003; Keping, Yu, 2002).

For the past fifty years, the Chinese urban residents’ organizations have changed dramatically in different periods. Based on the different governing ideologies and management values, the definition and assignments of urban residents’ organizations have been changing.

The urban residents’ committees, as a type of citizen organization of self-management and self-help, were first established in Shanghai after the founding of China. Around 1950, in order to help the impoverished people, to prevent crime, and to assist the local government in rehabilitating homeland and safeguarding social stability after the war, some residents spontaneously organized citizens’ self-help, self-service organizations with different names, including protection teams, anti-theft teams, neighborhood mediation teams, residents’ groups, and residents’ consultative meetings. Afterwards, these organizations spread quickly throughout some big cities, such as Beijing, Tianjin, Wuhan, and Chengdu. In 1951, the residents’ organizations had a formal name called Urban Residents’ Committee. According to official statistics, in Shanghai, there were 3891 residents’ committees in 1952, covering 90% of all neighborhoods with about 50,000 committee members (Shangli, Lin, 2003). In 1954, the National People’s Congress promulgated the Regulation on Organization of Urban Residents’ Committee that legally affirmed that residents’ committees were mass self-management, self-service organizations. The organization had five sub-committees in charge of affairs of residents’ welfare, public security of residents’ areas, resident’s self-education, sanitation, and dispute mediation respectively. Its members were chosen by residents directly and held the posts as part-time jobs. After 1955, residents’ committees were set up in almost all the cities around the country. With the principle of “everybody’s business should be everybody’s responsibility”, the residents’ committees took part in a lot of self-service affairs including mobilizing the mass, engaging in production, providing living services, repairing roads, planting trees, building lavatories, improving the environment, preventing fire and theft, settling neighbor disputes by mediation, strengthening management of public order, providing mutual help, and promoting solidarity among residents (Ying, Wang, and Yaobing, Sun, 2002).

During the period of the planned-economy and the speedy industrial growth, according to needs of carrying out centralized mandatory commands, aggregating recourses, and controlling interests and social conflict, the Central Communist Party Commission and central government tried to set up an intensive “centralized”, “integrated” power and authority system, therefore almost all kinds of Social Organizations and People’s Organizations were subordinated under the Party’s or Government’s departments or organs through the Chinese-style Unit System(Lulu, Li, and Hanlin, Li, 2002; Xiaomin, Yang, and Yihu, Zhou, 1999; Feng, Lu, 1999), and became integral parts of the formal political and administrative authority system. At the time of “the Great Leap Forward,” the urban residents’ committees evolved from self-help organizations to subordinated agencies of the basic level of government-Subdistrict Offices that were entrusted agencies of the district government in cities. As a result, the nature of residents’ committees became blurred and was called colloquially “the mouths and
legs of the government” (Ying, Wang, 2002).

During the period of “the Cultural Revolution,” with the Revolutionary Commissions entering into the residents’ committee, they became an important tool of involving the mass movement of “Class Struggle.” Because of the changes in organizational structure and function, the urban residents’ committee gradually took the transition from the organization of self-management to the political organization that extended from the organs of the state power.

In the 1980s, the development of the residents’ committee entered into a new stage. The main characteristic of the residents’ committee during this period was “returning to society” and resuming its deserved nature of self-management. With the process of economic marketization, administrative decentralization, and political democratization in China, forces from the grass roots began to rise and play more and more important roles in public life. They put demands on protecting their legal interests and personal rights, opening relevant information in implementation of public policies, supervising public officials’ abuses of public authorities, getting concerned about and getting involved in some public decision-making. In other words, the consciousness of residents’ self-management, citizen rights, and obligations began to awaken.

In 1982, the newly revised Constitution clarified the nature of self-management for the residents’ committees. In 1995, there were 112,000 urban residents’ committees in China, and 4.5 cadres on each residents’ committee (Duojicairang, 1996). At the same time, other civil organizations and urban residents’ organizations developed fast, such as civil social service organizations, interest groups, and urban proprietors’ committee. In contrast to the traditional mode of the top-down governing, diversified interests had their voices. The powers and authorities were fragmented. As Lester Salamon noted, the rapid growth of civil organizations indicates the development of civil society (L. Salamon, 1999).

Up to that time, the development of urban residents organizations were still in the primary stage, lagging behind the progress of villagers’ self-management in rural regions.

THE STRUCTURE AND FUNCTIONS OF TRADITIONAL URBAN RESIDENTS’ ORGANIZATION IN CHINA

As mentioned earlier, the residents’ committees were once administered highly as the stretch of administrative organs of subdistricts. In fact, they changed into the subordinated working bodies under the superintendence of government that decided characteristics of the structure and functions of urban residents’ committees.

Subdistricts’ administrative agencies, Communist Party branches in residential areas, residents’ committees, and residents were undertook the major roles in the local management, and their complex relationships showed the functional standing of urban residents’ committees.

Subdistricts’ government or its administrative agencies and residents’ committees

The relationship between urban residents’ committees and subdistricts’ administrative agencies was very complicated at the time of implementing the planned-economic model. The changes of their mutual relationships manifested the evolution of residents’ committees and their social position.

- Organizational System. In contrast to those spontaneously formed communities in western countries (F. Tonnies, 1963), the formation of urban residents’ areas in China were based on the administrative divisions; that is, the places where people’s lives were constructed according to the need of governing and administration. This kind of formation decided that urban residents’ areas are integral parts of the administrative system from the beginning. Hence, urban residents’ committees established in every residential area acted on the behalf of local government in essence, in spite of their nature of self-help and self-management regulated by the regulation in form.
Organizational Bodies and their Functions. The goal of residents' committees was to implement decisions made by upper level government or its administrative agencies. Therefore, it was necessary to set up organizational bodies that were not only fitted to the functional requirement of the subdistrict of government in some policy implementation and mobilizing of residents, but also were in accordance with its organizational structure.

As part of a highly administrated organizational system at the basic level, residents’ committees had been working closely with over 40 departments or sectors of the subdistrict of government, including the civil administration division, labor management division, police station, office of administration, business management division, sanitation division, office of family planning and birth control, ideological education division, municipal management division, office of environmental sanitation, and the office of garden or park management. Under their leadership, the residents’ committees were often busy accomplishing various routine tasks assigned to them. They were responsible for mobilizing neighborhood residents to assist government in carrying out some decisions, such as family planning and birth control, movement of tree-planting, and the patriotic health campaign. Urban residents’ committees must establish a set of organs in order to complete their tasks. Hence, they had to set up some subcommittees of “counterpart” bodies. As a result, urban residents’ committees expanded, and their functions also broadened quickly.

<table>
<thead>
<tr>
<th>Subcommittees in residents’ committee</th>
<th>Functions of subcommittees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public security and crime prevention</td>
<td>Assisting police station to safeguard residential security; registering, supervising and educating persons who had crime records; maintaining public security etc.</td>
</tr>
<tr>
<td>Neighborhood dispute mediation</td>
<td>Solving disputes between neighborhood and members of a family; caring about rights of women etc.</td>
</tr>
<tr>
<td>Sanitation management</td>
<td>Cleaning street, taking in charge of team of environmental sanitation; checking sanitation station in residents’ areas; collecting charges for maintaining sanitation etc.</td>
</tr>
<tr>
<td>Family planning</td>
<td>Registering women who are pregnant or plan to be pregnant, carrying out yearly birth planning and control birth growth in residents’ areas; assigning free contraceptives; supervising households from another place etc.</td>
</tr>
<tr>
<td>Ideological education</td>
<td>Organizing political studies of local residents; publicizing and passing on the Party’s general and specific policies etc.</td>
</tr>
<tr>
<td>Civil welfare and the poor help</td>
<td>Helping the poor and the disabilities in the residential areas; assigning relief money to households enjoying the five guarantees; organizing relevant production to promote self-help of the poor and the disabilities etc.</td>
</tr>
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</table>

Staff. Cadres of a residents’ committee were composed by the secretary of the communist party’s branch (the post usually was held by vice director of a residents’ committee concurrently), director of the residents’ committee, representative of women in the area, and the six members of subcommittees. On average, a residents’ committee has nine persons. The secretary of party’s branch, director of committee, and representative of women were tested and selected by organizational and personnel division of the party commission at the subdistrict level, then appointed by the subdistrict of government; or alternatively they were nominated as candidates by the party commission at the level of subdistrict, then elected by residents through the form of equal-candidate election or indirect election. Six other members were recommended or appointed directly by the residents’ committee, then committee reported to organizational and personnel division of the party commission on file. Cadres of residents’ committees in fact became a kind of officials employed by government.
Besides, subdistrict government paid wages to these cadres of the committees. Due to lack of enough money to pay so many cadres, residents’ committees usually employed retired persons in order to reduce the cost. The organizational and personnel division of the party commission examined these cadres annually, commenting upon their performance, and supervising their behaviors.

- Finance. The operational expenditure also came from subdistrict government. Because the money paid by government was far from enough (average 2000 yuan per month for each committee) (Shangli, Lin, 2003), sometimes the residents’ committees, with subdistrict government’s permission, had to charge for their services to cover expenses.

The party branches and residents’ committees

The party branches are basic organizations established in every work unit and every residential area. This setup is described as “corresponding and communicating bridge between the Communist Party and people all over the country.” So the party branches in residential areas represent the leadership of the Party. Leaders of the party branches usually are leaders of the residents’ committees.

Residents and residents’ committees

Residents were mobilized to take part in activities organized by residents’ committees - they did not volunteer to do such work. Generally, the residents were reactive, they were not conscious of their responsibilities for their public lives as citizens. There are three major reasons for this. First, residents did not have any power and right to influence relevant decisions that affected their interests and lives. Second, they thought that residents’ committees represented the interest of government, not the interest of people. However, they couldn’t change this institutional situation at that time. Third, under the working unit system, residents tended to identify themselves with their units which decided their position, their quality of life (house assignment, welfare policies) and their resources.

THE CHARACTERISTICS OF TRANSITION AND NEW ESTABLISHMENT OF CURRENT URBAN RESIDENTS’ ORGANIZATIONS

Since the 1990s, especially in the few years of the 21st Century, the nature of the urban residents’ committees has been changing gradually and silently. On one hand, the practice and experience of villagers’ self-governance in rural areas gave an impetus to residents in urban areas, and facilitated urban residents to demand more self-governance. On the other hand, the self-interest and citizen right has facilitated the “movement of urban proprietors’ right protection” (South Weekend, 2002, 8,14) in the process of the large-scale commercialized housing projects. When urban residents began to possess their own housing property by paying a lot of money to buy an apartment, they found that there were so many swindles from developers, and there were so many regulations and laws protecting the interests of developers and managers. Under this circumstance, urban proprietors had to pay more money to receive services of inferior quality. Some intellectual elites in the group of proprietors were aware of the necessity of struggling for their legal rights.

Diversification of urban residents’ organizations: the rising of self-governance organizations in urban communities

For the past forty years, only one residents’ organization could be approved in each neighborhood area, but today, some new residents’ self-governance organizations are being established with the privatization of housing. The rising of these diversified residents’ organizations is a remarkable characteristic in Chinese political and social development. First, these organizations express residents’
interests. Using the legal procedures, they made demands on government, and pushed officials to take care of residents’ needs and preferences. Second, they put pressure on government, demanding more open information and more transparent government operations, amendment to relevant regulations and legal provisions, and provision of appropriate space to permit residents’ innovation in self-governance. Third, residents needed some formal channels and forms to involve into those decision-making processes that are closely related to their interest. The following list is a good example illustrating what residents experienced recently in some communities when they carried the development effort forward continuously.

- Community council

The community council was created and designed by urban residents in order to substitute for the residents’ committees that could not win the trust by residents. This effort revealed residents’ desire to establish a self-governance organization.

At the beginning, in some urban resident areas, residents’ representatives decided to set up community councils as they strived for residents’ rights with trade property management companies and residents’ committees, even with subdistrict government. Members of the community council were selected by local residents based on their personal influence and ability, and sometimes they had to visit neighborhoods one by one in order to gain the support from residents.

Community councils were in great conflict with the residents’ committee, because they challenged the legal position of residents’ committees. Therefore, there were three interesting situations in the practice of community councils. First, community councils disappeared quickly, because they had no operational funds, no fixed office site, no strong support from residents, and the council hardly kept a balance with the residents’ committees. Second, in some cities, the residents’ committees were reorganized to return to the nature of self-management, they were given the name of community council through revising provincial regulation on self-management organizations at the basic level. This change represented a symbolic meaning that the community council would be the true residents’ organization for residents’ interest. Third, the residents’ committees and community council coexisted in the same area, their competitive or cooperative relationship depended on special issues which they card about.

- Proprietors’ meeting and Proprietors’ committee

The proprietors’ committee has been the most active self-governance organization in community since 1993, because its goal and tasks are very clear and its concerns are related closely to proprietors’ interests. Proprietors’ meetings and Proprietors’ committees are products of the reform of the housing system and the privatization process of housing.

Proprietors’ meetings consist not only of house property owners but also of the units that have the property right to the housing. Their organizational functions include electing members of the proprietors’ committee, deciding important issues and activities which represent the immediate interests of residents, listening to reports submitted by the proprietors’ committee, and approving budgets on its expenditures. Proprietors’ meetings are usually held annually. Sometimes, they convene as a type of public hearing about issues like the collection of fees paid to the property management company.

Proprietors’ committees take part in many activities aimed at community development on behalf of housing owners. The most conspicuous activity of proprietors’ committees that arouse broad
and extensive concern is that they can negotiate and dialogue with property management companies and some divisions in subdistrict government. Their functions include appointing and dismissing property management companies if residents are dissatisfied with its charges and its quality of services, supervising routine management activities of the company, demanding that the company make known its operational costs and profit to the residents, submitting some written suggestions to relevant departments of government for appealing to revise dated regulations, and organizing residents’ salons to discuss important issues on community development. According to an investigation, members of proprietors’ committees mainly come from an intellectual elite as well as an enterprise management elite (South Weekend, 2003, 5, 29), they all belong to a part of the growing “middle class” in China.

- **Community advisory committee**

Newly established community advisory committees are built under the community Councils or the residents committees inviting residents to take part in discussing matters concerning community planning and construction of recreational facilities. Community advisory committees are composed of divisions’ officials in charge of community planning and development, cadres of the residents’ committees (or community councils), and representatives from residents. The aim of the committees is to facilitate communications between officials and residents in order to promote residents’ understanding of policies, but because of the imperfect institutional process of selecting representatives, especially representative source from residents, the committees do not play an important role in community self-governance.

- **Community volunteers’ associations**

Volunteers’ associations provide various services regularly, such as helping old people and disabled people, teaching knowledge and skills for unemployed persons, and protecting natural resources and environment. Also volunteers’ associations have established networks (Ming, Wang, 2001). In Beijing, “resistance to and prevention of SARS” and “engagement in the preparation of Olympics Games” are examples that demonstrate the effects of those volunteers’ associations. Their activities are encouraged and commended by government.

### Direct election for leaders of residents’ committees (or community councils) in 2003

Last year, some residents of some urban communities began to experiment on direct election for leaders of residents’ committees or community councils. Although the election has happened just once till now, it displayed some attractive changes that Chinese scholars are very much interested in.

First of all, “independent candidates” appeared. In the past, those candidates who took part in the election were nominated or assigned by subdistrict offices, and there was no competition at all in the election - were no other candidates competing with the person who government wanted for the post.

Today, however, the emergence of independent candidates has changed the nature of the basic election process. The independent candidates are nominated by over fifteen registered electorates who signed jointly with election committees. They participate in the election independently. At the same time, subdistrict government still recommends its candidates whom they trust. According to some reports, directors of the proprietors’ committees gained wide support in some communities because of their efforts and struggle for interests of residents. They are nominated as independent candidates in many communities, but they are almost defeated in the competition by the official candidates. Because they do not have enough resources to support their campaign, they are not effective in making themselves known to the public in comparison with those strong official candidates (South Weekend, 2003, 5, 29).
Next, the election pushed forward to the residents’ committees transforming from subordinate to representatives of local residents. As the institutional prefect of basic election and functional separation of the residents’ committees from suddistrict government, leaders of the residents’ committees must rely on the support from residents in order to win the election, hence they must represent interests and express voices of local residents. In fact, this transition has already happened. The residents’ committees have been inclined to provide more and more self-help and self-governance services gradually (Qing, Fang and Zhouwang, Chen, 2003).

Residents’ concepts of community and citizenship in formation

Another marked feature during the changes and development of residents’ organization is that residents’ consciousnesses of citizen, community and public life are in the process of formation. Accustomed to the arrangement and control under the government in the past, residents are now aware that they can affect their lives and destiny through their own autonomous actions by being involved in decision-making, and entering into public life to play their active roles. Under the impulses of villages’ self-governance, the spread of knowledge and information, and influence of contemporary democratic values, some elites in residents’ groups began to learn how to self-govern by effective activities in the practice of election, decision participation, and volunteer engagement. As a result, residents usually like to be “free riders” and wait for the outcomes which others struggle for. It could impede the effectiveness of residents’ public participation. This situation reveals that development of residents’ participation is just in the beginning stage in China. We have a long way to go (Sun, the following appendix on investigation results briefly, 2001).

CONCLUSION: CHALLENGES IN THE DEVELOPMENT OF SELF-GOVERNANCE ORGANIZATIONS FOR CHINESE LOCAL GOVERNMENT

The rising of forces from the bottom up in grassroot societies in contemporary China challenged the traditional governing mode. The demands for public participation, effective services delivery and good governance urge government and its officials to respond to these changes, and to alleviate great pressures in active attitudes.

For public managers in the era of new information technology, it is no longer possible to do their job without interacting with the public. The way they make decisions and manage has been transformed by today’s dramatic changes (Jun, 1986; Thomas, 1995). From this view, it is very important that government and public managers conscientiously search for new roads to promote capacity for good governance. I believe that Chinese local governments and their officials can play active roles in the process of development of civil society and political democratization. In recent years, especially in the Hu Jintao and Wen Jiabao administration, government has committed itself to the improvement of its governance and developmental strategies. First, the government makes the sincere efforts to build an open and transparent organizational system. Now, local government offices try to communicate information with the public through new kinds of measures, such as public hearings and public opinion surveys, the Internet, and suggestion boxes when government makes important decisions. In order to improve the quality of services, government often notifies its customers of work procedures in advance. On the other hand, local government and its officials try to build new cooperative relationships with the public. They not only establish the consciousness and value of “serving the public”, but they also begin to delegate more power to lower levels in government bureaucracy and civil society. This means citizens will have broader public space to decide their own affairs and carry out self-governance. In my opinion, Chinese civic organizations will continue to make an important progress in the coming decades, and a significant civil society will emerge in the near future.
REFERENCES


Necessity Analysis of Nonprofit Organizations’ Participation in Crisis Management

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A nonprofit organization (NPO) is a form of social organization that is not profit-oriented and has formal organization forms but is not within the governmental system. In a sense, it is autonomic, voluntary, and of public-benefit or mutual benefit.

Crisis is an emergency or state of emergency. Its appearance and breakout tremendously influences the normal operation of society, threatens and damages life, property, and environment and so on, goes beyond the normal managerial ability of the government, and requires the government and society to make special efforts accordingly (Chengfu Zhang, 2003). Crisis management is a process of organized, planned and continuously dynamic management. Since there exist potential or current crises, the government adopts a series of controls at different stages to prevent, deal with and diminish crises effectively.

THE CHARACTERS OF THE CRISIS AND NONPROFIT ORGANIZATIONS DETERMINE NPO PARTICIPATION IN CRISIS MANAGEMENT

Harm of crisis. Since the occurrence of crises influences the basic values and targets of a society or an organization, we can obviously see the intensity of its dangers and damages which not only causes enormous economic loss, but more importantly, makes the public feel panic and insecurity, threatening the stability of the whole society and public interest. NPOs in all countries share a common character - that they are public interest-oriented, with the basic aim of severing all or part of the citizens. Whenever a crisis happens, NPOs must participate in managing the crisis. To play a positive role is the concrete embodiment and requirement of its public interest.

Scope of crisis. A critical crisis involves a huge number of families, and even the whole society. It is not a problem that only government and any particular department but all the links of the society will face. The second sector (profit organizations such as businesses) and third (NPOs) sector of the society are more directly impacted by a critical crisis than government. For example, SARS has a wide range of influences as a sudden public emergency, bringing great losses to China’s domestic and abroad tourism, transportation, hotels, food and beverage, service, entertainment, commerce, foreign trade and foreign capital investment. The impacts eventually damage the benefits of the citizens and organizations in China. Since NPOs have their own benefits with stable organizational forms and regular members, and the objects they serve are directly subjected to the impacts of crises, to participate in the crisis management is a necessary function that any NPO must perform.

TO REMEDY THE INSUFFICIENT CRISIS MANAGERIAL ABILITY OF THE GOVERNMENT ReQUIRES NPO PARTICIPATION IN CRISIS MANAGEMENT

The restrictions and insufficient abilities of government in crisis management need NPOs’ participation.
Government has limited information in crisis management

The restricted information is a major cause of government’s insufficient ability in crisis management. For example, during the post-crisis resolution stage, government should at first deal with the problems the crisis has left behind and make up for the losses or the losers. The purpose is to find out the very persons who need the compensation most, but the cost of screening is so high. More money shall be spent on investigation and verification when the situation needs further improvement. Consequently, this leaves much space for the NPOs. The information gathered and provided by voluntary and nonprofit organizations is much more objective than that of government.

Government is majority oriented in crisis management

The decisions made by government in crisis management are all kinda of political ones that are inclined to reflect the wills of the “median voters” who represent the majority of the society. The services and public goods government offers in crisis management are all the way universal and unified, as John Muller notes in Liberty that the services provided by government tend to be the same in any place but the services by individuals and groups are diverse. Therefore, some particular service need of the public cannot be satisfied, which also leaves much room for NPOs to operate. When government follows the principle of majority, NGOs are accountable for responding to the minority group.

Government targets short-term issues in crisis management

Government officials, who are in short-term office, tend to be closely concerned with short-term issues, leaving the long-term social problems to NGOs. Some officials and local governments pay excessive attention to the assessment criteria as GDP; therefore GDP is everything in their eyes. As the GDP worship has concealed a great many of problems, some government officials do not provide a long-term and strategic developmental plan. Even some officials equate various kinds of critical crises with “serious accidents” in their jurisdiction for fear of “veto by one ticket” in appraisal of the carders. Such appraisals and appointments of carders is a rigid system where officials bear responsibility only for the superiors but not for the safety of the people’s life and property, which undoubtedly has greatly reduced government’s crisis managerial capabilities. This tendency is so grave in environmental protection that the officials, in order to make prominent achievements and get promotion, do not hesitate to bring the temporary economic and social development at the enormous environmental and resources cost. Their blind investment has caused an overheated and abnormal economic growth at local and national level and various environmental crises such as water shortage: more than 400 out of the 600 cities in the country face the problem of insufficient water supply, among them 110 suffer from severe water shortage. Generally, the annual water shortage in the cities is 6 billion cubic meters, and the daily water shortage is 16 million cubic meters, whereas the situation is more aggravated in the coastal industrial areas (http://www.china5e.com, July 27, 2004). Electricity shortage is another urgent crisis, as indicated in The power market analysis report in Spring, 2004 issued by the power market analysis and prediction team of the National Grid Company. The number of provinces which lack adequate electricity has expanded from 12 in 2003 to 20 in the first quarter of 2004, and the figure is estimated to go up in 2005 (http://www.xinhuanet.com, June 18, 2004). Although most of these crises are caused by shortsighted activities of local governments, it is NOPs like Friends of Nature, Oxfam Groups, Friend of the Earth, China Environmental Protection Foundation, Greenland Volunteers’ Association, Institute of Environment and Development, NPO Information Centre and the Conservancy Association that call for attention and seek to resolve the problems (http://www.gvbchina.org.cn/, July 12, 2004).

Government is confronted with talent shortage in crisis management
The uncertainty of conditions, the limited rationality of human kind and the unsymmetry of information all contribute to the uncertainty of the crisis occurrence. However, there is also an intelligence shortage in governmental organizations. Because governmental officials have worked in the same field over time, and formed a fixed thinking, they habitually take regular measures to respond to crises and thus it is very difficult for them to make timely and effective responses to new crisis. However, under many circumstances, profound professional knowledge is needed to recognize and identify the crisis and to estimate accurately the possibility and severity of its occurrence. There is no doubt that the government will have to turn to nonprofit research centers and organizations for information, relevant study, professional knowledge and opinions. The NPO is known as a volunteer group that gathers some people who share same interests and faith. Many NPOs, especially various kinds of natural science and social science associations and university-based research institutions, are professional, and have conducted research in certain fields and accumulated a large number of academic and practical achievements and contributed many scientific conclusions and policy recommendations. They have unique insights on the crisis that may take place in a certain field and its corresponding counter-measures, thus their viewpoints and suggestions are critical to the crisis resolution and sometimes they even exert dominant power on government’s policy making. For example, Premier Wen Jiabao listened to and considered carefully the suggestions of the experts as Angang Hu, Chengfu Zhang, Songnian Ying, and Lan Xue during an experts’ forum on SARS (http://www.xinhuanet.com, June 17, 2003). And many of their recommendations were adopted by government, which proved to be very effective in practice.

**Government suffers from inadequate resources in crisis management**

Government is responsible for the input of managing a crisis. In crisis, the necessary fund depends on government in the construction of its management mechanism and its managerial process. To a nation-wide crisis, it is not an easy thing for governments in any nations to raise such an enormous amount of fund in a short time. Take the SARS crisis treatment in China as an example, according to Section 23 in Budget Law of the People’s Republic of China, governments at all levels should set aside 1%-3% of the annual budget expenditures for natural calamity and other unpredictable expenses in the year’s budget enforcement. In 2003, the actual budget reserves arranged by the central government totaled CNY 10 billion which was only 1.4% of the annual budget expenditure of CNY 720.1 billion that year (the legal reserves prepared by the central government should be between CNY 7,200 million and CNY 21.5 billion). Consequently, the central government confronted a financial difficulty in dealing with SARS crisis. Even in some highly developed areas that were slightly infected, the expenditure used to control SARS exceeded the reserved expense and brought serious problems to the normal budget arrangement that year. The follow-up contradiction between the revenue and expenditure is obvious (SARS and Government’s Public Policy team in the public policy research center of Dongbei University of Finance & Economics, May 27, 2003). The limited governmental resource in crisis management offers a good chance for NPOs. They can utilize different ways, such as calling the public for donations or enrolling the civil volunteers to mobilize the public, thus to share the burdens of government and to make up for the deficiencies of its finance, organization and human resources. In Hong Kong, which was seriously affected by SARS, NPOs played an important role in combating SARS. On one hand, they urged and supervised the local government, on the other hand, they made every effort to collect donations, raising tens of millions in a quite short period of time. In addition, NPOs initiated social assistance activities in helping medical personnel and scientific research personnel working in the frontline and the weak people who were in great need of care, which to some degree remedied the deficiency of government resources. Thousands of NPOs, such as China Foundation for Poverty Alleviation, China Charity Federation and its member associates, China Youth Development Foundation and China Society for Promoting Guangcai Program, have raised approximately CNY 5 billion at home and broad every year (more than CNY 7 billion in 1998), and most of the funding is used for helping the disadvantaged groups survive various kinds of crises and get rid of poverty.
Government has restrained other interests in crisis management

Since there is a lack of definite interest subject and responsibility subject in government’s participation in social and economic activities, and the legal contract relationship between government and people is always imperfect and not reciprocal in reality, government's behavior is out of order or out of control from time to time, yet without corresponding punishment. Furthermore, government consists of individual officials who, as natural persons, are not the unselfish public servants as they declare but are "rational economic man". Thus, they will also be influenced by self-interests, work for their own benefits under the guise of serving the public and abuse their power (Xiaoguang Kang, 1999). In addition, government is becoming a more and more independent entity. Government gradually turns itself into an action subject with independent interests, gets rid of the control of the society, seeks one's own interests unprincipledly and gives no consideration to the public interests. Joseph E. Stiglitz once expected sincerely and earnestly that, the economists reminded those who suggested the adoption of governmental interference in the market failure and income distribution inequality of the fact that government was defective just the same as the private market; and government was by no means an advanced computer that could offer best ideas and it could not always make unselfish decisions beneficial to the whole society. In the SARS crisis in 2002, the concealing of local governments and officials were the obvious proof, causing rampant infections and thousands of citizens affected and hurt by SARS in certain areas.

INTERNATIONAL EXPERIENCES IN CRISIS MANAGEMENT AND INTERNATIONAL COOPERATION REQUIRING NPO PARTICIPATION IN CRISIS MANAGEMENT

To give full play to NPO’s role in crisis management is the summary of the crisis management experience of various countries (Chengfu Zhang, Mengzhong Zhang, Lan Xue, Lefu Wang, Shuguang Zhang and Tiehan Tang, 2003, 2004). “Despite regional and ideological differences, all the countries respond to crisis in a similar way.” Countries that have a highly developed market economy usually boast of powerful NPOs, a whole set of laws and conventions about NPO participating in crisis management, and a social networks for NPOs and citizens’ crisis management participation. Some governmental organs, like Federal Emergency Management Agency in U.S.A., Health Protection Agency in Britain and National Security Council of Israel, all bring NPOs into its daily routine management. Moreover, some famous international NPOs play an important role in global crisis management, such as World Health Organization and International Red Cross in public health crisis, and International Monetary Fund and the World Bank in economic crisis. For instance, in the Great "Hanshin-Awaji" Earthquake in Japan, NPOs were the first to be on the spot and they exerted positive influences. Among them was "Doctors Without Borders", a typical NPO with strong professional lines, which has played an important role in many crises and thereby obtained the Nobel Prize of Peace.

The U.S. Government succeeded in turning the 9.11 incident into an opportunity. One of the experiences was to mobilize and utilize the social resources extensively: on one hand to raise resources and conduct rescues through non-governmental organizations (NGOs), and on the other hand to prevent terrorist attack by arousing community volunteers. In Taiwan 9-21 Earthquake, NGOs took the lead in rescuing, historical relics proection, post-earthquake reconstruction and psychological recovery. Unfortunately, we hardly found Chinese NGOs in resisting SARS campaign (Guosheng Deng, 2004).

To give full play to NPOs’ role in crisis management is the requirement for strengthening the cooperation between our country and other countries. To strengthen the cooperation with foreign or international NPOs in the world, Chinese government as well as Chinese NPOs should cooperate with their foreign colleagues and counterparts. In fact, the foreign or international NPOs are willing to cooperate with the NPOs instead of governments in the target countries. They are against the bureaucracy, official corruption, and inability of governmental organs of some developing countries. The assistance organizations such as the American Development Agency and some other international NPOs recognized from their practice that the capabilities of NPOs in the developing countries are of critical importance to the success of their programs in those countries. Through supporting the capability construction of the
local NPOs and training NPO personnel in management, operation and development, the assistance organizations can often achieve more than they could with the local government. In the year of 1998, “Action Aid” spent US$ of 115.3 million in NPOs in developing countries which accounted for 17% of its total expenses that year; and “Caring International” donated US$ 30.5 million to NPOs and their activities in the same year. During the SARS days, NPOs in China, such as National Red Cross, China Charity Federation, China Youth Development Foundation, China Medical Federation and China Association for NGO Cooperation, cooperated with World Health Organization in the combat and control of this public health crisis—SARS. The Beijing Office of "Action Aid" which is very experienced in disaster relief solicited foreign NPOs through the international cooperative networks of "Action Aid" as soon as possible and shared their experiences with Chinese NPOs. Therefore, if China wants to set up a perfect and completely integrated system of crisis management, one of the urgent issues is to accelerate and develop all kinds of Chinese NPOs, especially those corresponding to the international professional organizations, and to support and encourage them to carry out cooperation with those international professional organizations.

Notes:


A Study on Land Rights and Land Registration System in China

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LAND PROPERTY RIGHT SYSTEM

THE STATUS QUO OF LAND PROPERTY RIGHT SYSTEM

Basic Legal Systems on Land

The People’s Republic of China carries on socialist public ownership of land, i.e. ownership by the whole people and collective ownership by the working people. Ownership by the whole people means that the State Council exercises the right of ownership of State-owned land on behalf of the State. No units or individuals may encroach on or transfer land, through buying, selling or other illegal means. The right to the use of land may be transferred in accordance with law. The State may, in the public interest, lawfully get land owned by collectives. The State applies, in accordance with law, a system of compensated use of State-owned land

Ownership of Land and Right to the Use of Land

Land in the urban areas shall be owned by the State. Land in rural and suburban areas shall be owned by peasant collectives, except for those portions which belong to the State as provided for by law; house sites and private plots of crop land and hilly land shall also be owned by peasant collectives. State-owned land and land owned by peasant collectives may be lawfully determined to be used by units or individuals. Units and individuals that use land have the obligation to protect and manage the land and make rational use of the land.

In China, there is not only the ownership of land, but also the other kinds of rights such as the right to the use of land, mortgage and rent right of land, all of them are gradually formed during the reform of land use system. Among these, the right to the use of State-owned land is divided into the rent right to the use of state-owned land and the allocating right to the use of State-owned land, while the right to the use of land owned by collectives includes the right to the use of farming land by operating lands under contracts and the right to the use of farming land by constructing. The right of mortgage and rent right should be mainly based on the right to the use of urban State-owned land. The rights that should be registered and affirmed by certificate are mainly the ownership of collective-owned land, the right to the use of collective-owned land and the right to the use of state-owned land.

The categories of land rights in China today can be shown on the following page.

The Confirmation of property right of land

Land owned by peasant collectives shall be registered and recorded by the people’s governments at the county level, which shall, upon verification, issue certificates to confirm the ownership of such land. Land owned by peasant collectives to be lawfully used for non-agricultural construction shall be

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registered and recorded by people’s governments at the county level, which shall, upon verification, issue certificates to confirm the right to the use of the land for such construction.

State-owned land to be lawfully used by units or individuals shall be registered and recorded by people’s governments at or above the county level, which shall, upon verification, issue certificates to confirm their right to the use of such land. The specific organs for registration and the issue of certificates for State owned land to be used by central State organs shall be determined by the State Council.

The Forming Process of the Property Right of Land

The actual forming of the property right system of land is a historical process.

First, looking back to the historical developing process, the ownership of the rural land experiences the course from the private ownership to the cooperation ownership and then to the people’s commune and at last is confirmed as the collective ownership. At the very beginning of the foundation of the People’s Republic of China, in order to liberate the productive forces and promote the output, the central government issued the Land Reform Law of the People’s Republic of China in June 1950. According to the law, all the land was confiscated and levied, but those state-owned lands were to be distributed uniformly, fairly and reasonably to those peasants who had few or were short of the means of production. The decree integrates the producer and the land - the basic means of production directly, greatly promotes the initiatives of the peasants. The inner polarization of peasants in land deals and tenancy relationships and the contradiction of Chinese agricultural and industrial strategies on the base of the small farming agricultural economy forced the government to lead the peasants who were on the way of cooperation. In the change from the Farming Mutual Aid Group to the Junior Commune of the Collective Operation, land shareholders were beneficiaries when farming land was transferred from peasants’ private ownership to the collective ownership. The quality’s changing period of it is the Model Rules of Advanced Farming Cooperation in Production adopted at the National People’s Congress in 1956. According to it, the private ownership of land of those commune members transfers freely to the collective and all the collective communes as well. By the time, all the lands can’t be transferred except for those few star-and-spot lands. The establishment of the Advanced Commune makes the collective ownership the key of the land ownership system in China’s countryside. Later, in Feb. 1962, the Central Government issued instructions on changing the basic accounting units of the rural people’s commune. It says: “Not to disrupt and re-divide.” The ownership of land may be assured according to the exact situation on the premise of being good to land improvement, soil fertile cultivation, water and soil conservation and water conservancy.
The Article 8 of the Land Administration Law implemented on June 25, 1986 said: “Land owned by peasant collectives that belongs lawfully to peasant collectives of a village shall be operated and managed by collectives’ committees. Land already owned by different peasant collectives that belong to two or more different collective economic organizations in the village shall be operated and managed by the rural collective economic organizations in the village or by villagers’ teams. Land already owned by peasant collectives of a township shall be operated and managed by rural collective economic organizations of the township.” The new Land Administration Law revised in 1988 just followed the above article on the ownership of rural collective land.

Second, the ownership of urban land in different forms has been transferred to the State since 1949 by the state taking over, confiscating, redeeming, requisitioning periodically and respectively. The lands occupied by war criminals, big capitalists and big landowners are taken over and confiscated. The urban lands of capitalist industry and commerce, privately operated real-estate corporations and private real-estate owners transferred to the state by redeeming them gradually. The socialist remake of joint state-private in all trades starting from 1956 conserved the land occupied as factories, warehouses and shops of private enterprises to the joint state-private enterprises by accounting and evaluating the assets. The State paid the bourgeoisie 5% fixed annual interest. During the Cultural Revolution (1966 - 1976), the State stopped paying the fixed interest. The capitalist ownership of land was actually abolished.

The former State ownership of urban land was defined in law till 1982 when the Constitution was issued in which the Article 10 stated that the urban land belongs to the state. Meanwhile, the private land occupying 4.5% of the urban construction land was nationalized in law.

THE ESTABLISHMENT OF THE LAND REGISTRATION SYSTEM AND ITS CHARACTERISTICS

The Establishment of the Land Registration System

The land registration of the People’s Republic of China started in May 1988 and was carried out on the trial draft of National Land Registration Rules issued on Sep. 6, 1987 by the former State Land Administration Bureau. It was launched as a pilot first, and then popularized all over the country. The work of reporting and registering focus mainly on the right to the use of urban state-owned land. As the housing has been registered for a long time while the registration of land has just begun and the drawbacks existed in law, there were some different ideas and conflicts between the local land administration departments and real-estate administration departments. Meanwhile, the State Land Administration Bureau and the Construction Ministry kept on quarrelling on the rights of registration and issues documents in each way. As a result, the right owners of registration did not know how to follow up with each department, and the State Council has issued many papers on this, emphasizing the unified administration of urban and rural land. Since then, the disputes have decreased gradually, but there still exists the respective registration of housing and land.

On Oct. 18 1989, the State Land Administration Bureau issued the Land Registration Rules, and after that, the land registration was formally carried out all over the country. The work included all the owners of land in the administrative zones and was a kind of overall or basic land registration. The registration played a very important role in guaranteeing the legal benefits of owners of land and cultivating land market to promote the market reform. As there are some major drawbacks in the legal registration system, a large amount of reported lands have not been certified and have left unresolved troubles. Taking a region in a city of Shandong Province for example, there were altogether 5000 or more pieces of land report registrations in the region. By the first period examination and approval, about 2000 pieces of land could be registered while the other 3000 pieces of land could not. Then in 1995 the State Land Administration Bureau revised the Land Registration Rules. Currently, the land registration has been carried out for 15 years and has a series of drawing characteristics and data for land survey. Some of these materials have been digitalized and been managed digitally, but the left over problems in the first period of registration are still difficult to settle because of the shortcomings of its registration system.
The Main Characteristics of the present Land Registration System

Compared to other countries on the real-estate registration system, China has its own characteristics. Summarizing them all, the following are the main characteristics:

(1) Emphasis on registration of the right to the use of land. According to the law and administrative rules and registrations, land registration includes the right to the use of state-owned land, ownership to the collectively owned land, the right to the use of collectively owned land and the other rights to the land which exclude the right of mortgage, rent etc. In practical work, a large amount of registration is concerned with the right to the use of land. As the ownership of the urban land belong to all the people, it is unnecessary to register. In the countryside, as there are some disputes on the real owners of land, the registration focuses on the right to the use of collectively owned land. Currently, there are only a small amount of registrations on the other rights of the land.

(2) Exclusion of buildings and other attached goods. The objects of land registration only refer in a narrow sense, to land, thus excluding housing and other buildings or attached goods which fall under separate administration systems. Land falls under the land administration department while housing falls under the housing administration department. The registration does not conform to the popular registration in the world, which includes all housing, buildings and other attached goods, and this separation has resulted in many shortcomings.

(3) Issuing the certificate of rights. The land registration bodies issue the certificates of the rights of the land to the landowners after they register or transfer the rights of land. These certificates that include The Right to the Use of State-owned Land, The Ownership of Collective Lands, The Right to the Use of Collective Owned Land, the Certificate of the Other Right of the Land are issued as certificates to the right holders to ensure their rights to own the land in law. The certificate of the right of land is the duplicate of part of contents in the land registration card.

(4) Adopting formalism to legislation. The right of land can’t be effective without being registered. The registration of land is an important element in transferring the right of land. That is, transferring the right of land (the gaining, transferring and losing the ownership of land, the right to the use of land and the other rights of land), and can’t be legally effective without being registered by the related land registration bodies.

(5) The land registration body is the municipal or county land administration departments. The land administration department is attached to the local government and is one of the inner function departments of the government. That is quite different from some countries in the world.

THE PROBLEMS EXISTING IN THE LAND REGISTRATION SYSTEM AND THEIR CAUSES

(1) Many problems were left over from the first land registration system and its low rate of registration. The first period of land registration in China has still not been finished, and covers only 30-50% altogether, which brings great trouble to the establishing of the public trust system and the further deal of ownership. The main cause of the challenges in the first period of registration is an imperfect registration system. At present, the main legal base of registration is the Rules of Land Registration, and there has not been the basic Law to the Ownership so far. The Rules of Land Registration cites only a process in registration while it hasn’t given out the key contents in legal ownership, the aim of registration, the conservation and settling rules on the transferring of rights, the effectiveness of registration and so on. It cites only the steps in registration, the technical contents on the supplied materials and how to fill the form.
(2) Un-unified land registration bodies. It is clear that this is because of the respective administration departments on different kinds of land resources in China. These respective resource administration departments in China are often the representatives of state ownership of the resources. When the registration bodies are under the administration of the same department, the three aspects of administration management, owner of the property, and the registration body will be in the same unit. This is the same as in the deal of ownership, one side of the deal establishes the registration book, makes registration rules and then forces the other side to get registered and administered on its side.

Secondly, the land and the goods attached to the land also belong to different registration bodies. The same real estate ownership has to be registered in different departments, adopt different ownership rules and registration rules, and to carry different effectives, to have different publicized means and show different public-trust. More than that, there is always the phenomenon of the land and the goods on the land to be registered by different land owners; for example, A registers the ownership of land, while B registers the ownership of the housing on the same real estate again. This leaves the ownership system in a state of confusion and increases the cost of the ownership in preservation, deal and the cost of the whole system of ownership.

(3) No property right law till now. The ownership of land is not clear and is looked down upon. The various kinds of land ownership are not covered or clearly defined, while some key rights of property haven’t been given out. All these result in undermining the efficiency of the system and the efficient use of resources. According to the legislators’ ideas, at the beginning of the foundation of the People’s Republic of China, the ownership in the socialist society was never an important content. This is because the resources were disposed of via planning instead of the market. Since the implementation of the market economy, the present situation forces us to study and make the various types of ownership that fit China’s national context. The characteristics of real estate ownership and the requirements of legal ownership don’t permit the interested parties to be established freely. Thus, the establishment of ownership types plays an important role in developing the resource to its full use, and there is the important content in the efficiency of the ownership system and the establishing of the registration system. Differing from the other countries, state ownership is the base of the ownership of land in China. How to base it on fairness and efficiency to make brand-new types of land ownership is the necessary link in the establishing of land ownership system in China.

(4) Falling short of the requirement of the duty registers. This is mainly shown in the mutual report and registration and during the survey of the ownership that should be pointed out by neighbors. The duty registers refusing to cooperate make the registration bodies and the right owners have no alternate, thus the registration is left aside. Sometimes the registered right owners have to pay some hidden cost to meet a lot of requirements of the duty registers.

(5) High cost of registration which blocks the registration. On the surface, the cost of registration of land is not high in China; the cost is paid according to the united issue of The Fee to the Registration of Land and Its Administration by the State Land Administration Bureau, State Survey & Drawing Bureau, State Price of Goods Bureau and Treasure Ministry in 1990. However, the local government makes the charging policies, and actually the cost of registration is much higher. Besides, the registration includes many links such as land survey and mapping, ownership survey, the actual examination and approval and so on. For any link, if the registration officials do not work hard or point out the drawbacks, the registration will be left aside for the time being. Sometimes, this lasts for one to two years and the hidden cost of corruption can’t be easily evaluated.
(6) Few protections to the registration right. The governments are often free to take back or occupy the benefits of the land right owners by requisition right, controlling over the use right and administrative decrees. All of these make the registration certificate seem like a piece of waste paper. Thus, the registration can’t attract the owner of the right.

In an example of a case of municipal development, a city should widen a road but is short of money. To spend less and build the road, the government standing conference issues a decree: To widen the road for 48 meters on each side of the former one and to extend the road westwards for 3000 meters. The total controlling width is 110 meters. Following this, all the concerned land and buildings on the land must follow the policy of taking away all their materials, that is, all the land must be used free of charge and the buildings on the land must be demolished and cleared up. Whether you are the owner of collective land and the user of land, or whether you are charged to get your right to use the land or it was distributed without being charged to use the land, all the lands concerned are taken back for municipal construction. The lands along the sides of the 3000 meters western extended road for 200 meters are taken back as reserve for future action.

(7) The effects of selling contracts; papers examined and approved for the use of land and registration are difficult to distinguish. To avoid paying the cost of registration, some registration right owners don’t apply to be registered while dealing for several times and then the last buyer registers it for safety. Giving registration to the buyer means to give encouragement to the preservation of ownership by approval papers.

**BASIC ASSUMPTION ON THE ESTABLISHING OF THE LAND REGISTRATION SYSTEM**

(1) To establish a unified real estate registration system in China. When the law of property rights is made, the law should define the basic rules and main contents of Real Estate Right in China. Then, a state legal body should formulate the special Real Estate Registration Law which includes the general rules and the general contents of the chosen ownership preservation rule, the right ways of transferring, the publicized methods and so on. In a real estate registration system to govern the whole Real Estate Registration Law should not be limited in the single articles.

(2) To unify the registration bodies. At present, the right of land, the right of the goods on land, the right of mining industry, the right of forestry and the right of meadow have their respective registration rules and systems, which are not beneficial in establishing the social public trust system, and forming the unified property ideas and unifying the market orders. Thus, the real estate registration should be unified all over the country, that means to register the forest, grassland, mineral resources, water right, land and building in one body.

(3) To formulate the mechanism to limit the right of government in requisition and regulation and to make all the things follow the law and rules to avoid from using rights unreasonably. To ensure the rights of the land’s owner by effective limits to the right of requisition and regulation. Without it, the rights of right owners can’t be protected and may restrict the right of government.

(4) To formulate various lawful property rights scientifically and reasonably means to conform not only to the rules of efficiency and fairness, but also to historical habits and convenient usage. The legal property right is one of the basic contents in the registration system that is written into the Real Estate Registration Law in each country’s legislation to definite it clearly, so we had better follow this general rule in China.

**CONCLUSION**

With the rapid economic development in China and China’s entry to the World Trade
Organization (WTO), the growth of the real estate market will be perfected gradually while the value-ideas of people on land will be strengthened and the legal relationship on land will be more and more complicated. Under this situation, the land registration law system that is the most important part in the law system of land becomes more and more important. Presently, there are some obvious drawbacks in the land registration system, such as the imperfect land registration mechanism, the un-unified and unclear laws in land registration. To make the land registration law system meet with the needs of rapid economic development in China, we should set up standardized rules, such as scientifically defining land ownership, formulating the Civil Law, Property Law and Real Estate Registration Law to ensure the legal effectiveness of land registration and establishing a unified real estate administration body of China’s land registration system.

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The Third Road: Optimizing Bureaucracy while Subordinating New Public Management to the Paradigm  
----A Study on the Reform of China’s Public Administration from a Comparative Perspective

Zhang Lirong  
Leng Xiangming

Against the background of globalization, the reform of Chinese public administration encounters both internal and external pressures in the 21st century. The paradox of North says: “The existence of state is the key to the economic growth, and the state is also the source of man-made economic decline.”

Practice shows that the relative lag in reforming Chinese public administration has been the bottleneck for optimizing market economy and the further development of society. At the end of the 1970s, developed countries started the public administration reform known as “New Public Management.” The reform undertook as part of its aims to overcome the disadvantages of bureaucracy so as to adapt to the developing globalization, information the knowledge economy, and inflicting a positive and conspicuous impact on the economy in the west. This is not only an example for, but also a pressure on the reform of Chinese public administration. After a thorough investigation into and comparison between our public administration reform and the experience of western developed countries, we are convinced that Chinese public administration reform should take the route of “optimizing bureaucracy while subordinating new public management to the paradigm.”

THE IMAGE OF REFORMING PUBLIC ADMINISTRATION IN THE WESTERN DEVELOPED COUNTRIES: A LOSE-OR-DRAW GAME BETWEEN BUREAUCRACY AND NEW PUBLIC MANAGEMENT

Bureaucracy: the pride of the industrial society

Bureaucracy is the product of the great machine industry age. In the 17th and 18th centuries, man entered industrial society from an ante-industrial society with the rapid development of the machine industry. It was “a world of control and programming, with the components gathered punctually and assembled. The attitude to man was the same as that to the components.” Max Weber claims that bureaucracy is the most ideal form of organization - it adapts to the great-industrialized production, and it is superior to any other organization form. He predicted that man would make use of this organization structure in future development. Bureaucracy is the traditional paradigm of public administration and is characterized as classification – stratification, centralization – integration, and command – conformity.

The great merit of bureaucracy is that it took the advantage of specialization and vocation, raising the flag of rationalism and logic, criticizing and negating the acts of despotism, nepotism, violence threat,

Notes:


subjective assertion and impetuous decision in the primary stage of industrial revolution,”⁴ overcoming the government’s unrest and inefficiency caused by the “spoil system” built at the primary stage of capitalism and adapting to the demands set by industry production that the government should meet. In a relatively long period, bureaucracy has been a substitute of government efficiency. In the Great Depression and during the two world wars, bureaucracy “solved the basic problems like providing security to the unemployed and the old, ensuring a stable society, a fundamental sense of justice and equality on top of jobs.”⁵ In a sense, bureaucracy became the pride of the industrial society.

**Bureaucracy bogged down with the change of society**

Since the 1970s, the knowledge economy has developed continuously, which has made the old operation style of politics and economy change greatly, creating great challenges to traditional bureaucracy which becomes inadaptable and bogged down. First, special technology and machinery specialization caused the function of government to diminish; second, the ultra-rationalism and its damage to human nature caused man’s alienation⁶; third, the domination of elites of knowledge and special technology caused crises in political democracy; fourth, the end and the means are put in wrong positions, making the ration of bureaucracy go out of function.

Having considered all kinds of disadvantages of bureaucracy, some western public administration scholars put forward the idea of “bureaucracy being out-of-date” at the end 1970s. For example, the famous organization theorist Bennis declared in *The Dying of Bureaucracy Is Coming*: “in 20 to 50 years from the 1960s, men will witness and take part in the burial service of bureaucracy.”⁷ At the same time, the government reform movement has swept across the western world, such as the project of England, the government rebuilt project in America, the public service 2000 plan in Canada, the public department modernization plan in Denmark, the financial and personnel reformation in New Zealand, the financial management improvement plan in Australia. A new kind of management paradigm – new public management – begins to boom.

**The post-industrial society calls for New public management**

New public management has many different names such as managerialism, market-based public administration, entrepreneurial government, post-bureaucratic paradigm and so on. The paradigm of new public management and the paradigm of bureaucracy have marked distinctions as is shown in Table 1.

The new public management reform has had very remarkable results. The disadvantages of traditional government administration have been eliminated to some extent, the efficiency of society management has been markedly improved and the reform has won extensive support from different social circles. It can be safely claimed that the new public management has conformed to the mainstream of social development.

**THE ESSENCE OF THE PUBLIC ADMINISTRATION REFORM IN THE WESTERN DEVELOPED COUNTRIES: A WIN-OR–DRAW GAME BETWEEN NEW PUBLIC MANAGEMENT AND BUREAUCRACY**

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All kinds of administration management paradigms had conformed to different social stages of Industrial Revolution and followed development of industrialization. When society is ushered into a post-industry era, there must be a new form of administration management conforming to it. In our opinion, this new form of public administration is not new public management, but the combination of new public management with bureaucracy. There are three explanations for this.

<table>
<thead>
<tr>
<th>Paradigm Form</th>
<th>Bureaucracy Paradigm</th>
<th>New Public Management Paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergence background</td>
<td>Adaptable to traditional industrial society</td>
<td>Adaptable to knowledge economy and information society</td>
</tr>
<tr>
<td>Technological foundation</td>
<td>Simple word-processing technology, office and document management</td>
<td>Information technology and electronic government</td>
</tr>
<tr>
<td>Theoretic foundation</td>
<td>Max Weber’s bureaucracy organization theory and Woodrow Willson’s two-aspects division of politics and administration</td>
<td>Economics theory and private-owner enterprise management theory</td>
</tr>
<tr>
<td>Basic nature</td>
<td>Exercising legal-rational and hierarchical power</td>
<td>Applying market system and private-owner enterprise management technology</td>
</tr>
<tr>
<td>Basic characteristics</td>
<td>Legalization, hierarchy, centralized power, depersonalization, function specialization, vocationization, political impartiality</td>
<td>Minimum government, function market-oriented, entrepreneurial management, department separation, power scattered, flexibility, efficiency, customer-first</td>
</tr>
<tr>
<td>Management form</td>
<td>Attaching importance to the restriction of rules and regulations and procedures; concerned about the process of input; caring about structure and course</td>
<td>Attaching importance to efficiency assessment, contract management; concerned about the result and responsibility, caring about the process of output</td>
</tr>
</tbody>
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Table 1: The distinctions between the paradigm of new public management and the paradigm of bureaucracy.

There is social foundation for bureaucracy in post-industry society

Post-industry society is based on knowledge economy. However, the knowledge economy doesn’t take the place of industry economy in the process of its development, but evolves out of industrialization. Weber emphasized that the modern bureaucracy came into being because of its social and economic backgrounds. They are: first, the development of a currency economy; second, the quantity growth of the public management tasks; third, the increased intensity, the improved quality and the internal development of the public management tasks; fourth, requests for quick, accurate, explicit accomplishment of entrepreneurial management and state management because of the development of a modern capitalist economy. Bureaucratic organization is better than any other form of administration to meet these requests owing to its technical advantages; Fifth, as for the modernization of government management, the centralization of the means of administration operation calls for a bureaucratic management system. Sixth, the typical principle of bureaucracy is abstract regularity of domination, which resulted from legal equality in a human and material sense. In this sense, “modern democracy is inevitably accompanied by bureaucratic organization.”

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alive unless its survival conditions disappear. Obviously, the survival conditions for bureaucracy still exist in the post-industry society.

**It is difficult for the new public management to take the responsibility of public administration alone in post-industry society**

Theoretically, new public management itself has the following paradoxes: First, the contradiction between the public interests of government and the profit of enterprises. The entrepreneurial government organization tends to reduce service provision to limit its cost, or it will, to a greater extent substitute financial aid service with “paid service” at the cost of the clients. Second, the contradiction between the intermediary function of the government and the privatization of enterprises. It is questionable whether the entrepreneurial government can guarantee its intermediary function in the face of the privatization of enterprises. Third, the contradiction between the public nature of the government and the closed nature of the enterprise. When the government functions in the form of the enterprise, it tends to cover up the information that should be available to others to get the upper hand in competition, preventing the masses from supervision and participation and making public administration alienated. Fourth, the contradiction between the implicitness of government performance and the explicitness of enterprise efficiency. Unlike enterprises, public service, which is abstract, complicated, extensive, and boundless, makes it difficult to assess government management with statistics, and therefore, performance assessment of the government is tough in the public sphere.

In practice, if the new public management is carried out in an absolute way, a series of new problems will come up. The major problems are: the autonomy of the public affairs has an influence on democratic control, chief charge and politics orientation; the relaxation of regulations has weakened the responsibility of civil servants, the consciousness of obligation and procedure; the pursuit of efficiency has done harm to the core of political values such as democracy, justice and equality. They are essential to government function. It is clear that new public management reform should not totally negate bureaucracy. On the contrary, some practices of bureaucracy such as legal-rational authority, restriction of principles, legitimate procedures and specialization are the foundations of new public management reform.

**There is the possibility for new public management to get integrated with bureaucracy**

Undoubtedly, there is a conflict between new public management and bureaucracy. The conflict is chiefly reflected in the form of pursuing efficiency. Bureaucracy pursues efficiency through regulation restriction and process control while new public management emphasizes market mechanism and outcome control. Objectively speaking, it is necessary not only to guarantee basic efficiency with regulations and legitimate procedures to prevent the power from being abused and unfairly distributed but also to overcome the efficiency lost resulting from bureaucratic laziness by putting the market mechanism into full play to encourage the civil servant’s initiative, creativity and responsibility. It is in this sense that there is the possibility for new public management to get integrated with bureaucracy.

To sum up, the reform of public administration carried out in the western developed countries is new public management plus bureaucracy. In appearance the competition between new public management and bureaucracy is a win-or-lose game. In essence however, it’s a win-or-draw game, which is actualized by new public management through developing what is good and discarding what is bad in the bureaucracy.

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THE CHOICE OF REFORM FOR CHINA’S PUBLIC ADMINISTRATION: OPTIMIZING BUREAUCRACY WHILE SUBORDINATING NEW PUBLIC MANAGEMENT TO THE PARADIGM

The features of contemporary China’s public administration conditions call for a route different from that of western countries: optimizing bureaucracy while subordinating new public management to the paradigm.

Optimizing bureaucracy.

Economic development calls for optimizing bureaucracy.

Our nation is in the process of transformation from a traditional farming society to a modern industrial one. The 16th assembly of Congress of the Communist Party (CPC) report points out that industrialization “is our nation’s tough historic task in the course of modernization.” The task of industrialization was put forward in the period of the First Five-Year Plan after the founding of new China. Since then, we have managed to build our country into one with an independent, integrated industry system and national economy system of relative modernization from a backward farming country in half a century. However, from a view of the whole, our nation is in a period of transformation to modern industrial society. The marked features are: agricultural modernization and rural urbanization, which are still at the beginning stage; farming labor and rural population account for about 50% and 62% respectively; enterprises are not competitively organized; the technical level of industry especially the manufacturing industry is not high; there exists a great distance at the ratio and the level of service industry compared with industrialized countries. There is still a long way to industrialization. Bureaucracy is the necessary path to industrialization and rational marketization. If the state machine is not highly Weberation, especially when the staff in the state machine doesn’t have the automatic consciousness of rules and regulations and procedures and the power becomes the means of manipulating market capriciously, the marketization of the state management is sure to be chaotic and out of control. So, optimizing bureaucracy is indeed inevitable and reasonable.

The insufficient organization in bureaucracy calls for optimizing bureaucracy.

Insufficient classification and stratification bureaucracy is the major problem of the development of China public administration. First, legal administration is slow and difficult. Influenced by tradition and culture, people are used to obeying the leaders or authorities. Second, for lack of knowledge and technology, civil servants tend to act empirically. Cases of partiality to friends and relatives are prevalent. Therefore, we should do our best to optimize bureaucracy to change the situation.

The particular environment of society, politics and economy in which new public management operates requires optimizing bureaucracy.

The paradigm of new public management has been formed in the particular environment. Contemporary China cannot totally satisfy the conditions to carry out new public management. The problems are: first, the market system not being optimal, local protectionism being popular, lack of a fair, competitive environment and sound legal system; second, autonomous capacity of society being rather

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weak, the third department being unhealthy; third, the social, economic development being slow. As is mentioned above, our country is in a period of transformation from a farming society to an industrial society, to say nothing of ushering in the post-industry society based on a knowledge economy. The specific economic, political and social environments determine that we are not ready to apply the paradigm of new public management as a whole, and that we should optimize bureaucracy.

**Subordinating new public management to the paradigm.**

**Eliminating the disadvantages of bureaucracy calls for new public management**

Although bureaucracy is the best organization form for conforming to the industrialized production, it has many disadvantages. For this, Weber has argued that “at the top of a bureaucratic organization, there is necessarily an element which is at least not purely bureaucratic.”\(^{13}\) So, the reform of public administration in China should optimize bureaucracy and at the same time, should absorb the rational factors of other management paradigms, especially of new public management, so as to eliminate the innate and the later-coming disadvantages of bureaucracy.

**To cope with the challenge of globalization calls for new public management**

Nowadays, against the background of globalization and information, optimizing bureaucracy is restricted and ruled by new conditions. Globalization started first in the economic field, then spread to the information field, the organization field and the value sphere, with four-fields becoming a whole of mutual influence and mutual promotion. Economic globalization tests and examines the nation’s competitive power, the management idea, management system, management institution and management capacity; the information globalization enables government to become informed of management reform and management experience of other countries, forming the pressures and impetus to absorb advanced experience of other states and to push forward management reform. Organization globalization requires each government to transfer some free-judgment power to international institution, demanding member states to conform to the organization principles, operating system and management form of international institutions. Value globalization helps government establish systems of ideology, democracy, rule of law, justice, human rights, responsibility and service at a philosophical level, which have become the fundamental basis and common goal of management reform in many countries. The reform of China public administration struggling for opening-up outside should embody and reflect the new features and requirements, and in the course of trying to realize optimizing bureaucracy, we should subordinate new public management to the paradigm.

In a word, optimizing bureaucracy while subordinating new public management should be the rational choice of reform in China public administration.

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Focused Governments: The Legal Foundations and Governance Implications of Special-Purpose Districts in California

Paul Hubler
University of La Verne, California

This paper examines the legal basis for the formation, governance and financing of special districts, the most common type of local government in California, outnumbering cities in the state by more than 10 to 1. Special districts are units of local government that provide a focused range of services or a single service. While the territorial boundaries of the special district are generally determined by the individuals or legal entity petitioning for formation, state enabling law plays a key role in limiting and defining the range of services, formation procedures, fiscal and administrative requirements, and governance of special districts. Using analytical categories developed by Foster (1997), the paper further explores the combined geographic and fiscal attributes of select special districts in California to determine whether service delivery is privatized or collectivized by the fiscal mode of the district and whether it is regionalized, capitalized or particularized by the geographic scope of the district.

The paper begins with a description of special districts as part of local governance. The paper then turns to the general legal framework of special districts, how they are formed, governed and financed. The paper then provides a frame of analysis that depicts the nature of special districts in terms of financing and geographic scope. This framework is followed by an examination of special districts offering the following services: air pollution abatement, airport management, garbage disposal, mosquito and pest abatement, parks and recreation and business improvement districts.

The paper concludes with tentative findings and suggestions for future research. Special districts provide for “focused government:” a narrow range of services or a single service in a defined geographic area. The tendency over time may be to legislatively expand the services and powers of special districts. The paper also finds provocative elements and implications of governance involving air quality management districts and business improvement districts.

SPECIAL DISTRICTS WITHIN THE FRAMEWORK OF LOCAL GOVERNMENT

Counties, cities and special districts comprise the three units of local government in California. The state is divided into 58 counties; counties are composed of unincorporated areas and a patchwork of incorporated cities, of which there are 468, generally located in metropolitan areas. In contrast to cities and counties, which supply a wide range of services, nearly 85 percent of California’s 4,741 special districts perform a single function within a defined geographic area (California Special Districts Association 2004). The remaining 15 percent of the multi-function districts provide two or more services, typically within unincorporated county areas.

Most special districts are established to furnish services that cannot be provided by cities or counties within a particular geographic area due to fiscal or other constraints. Because of their functional specialization, the territorial areas of special districts offering distinct services may overlap, unlike city or county jurisdictions which are mutually exclusive. In addition, special districts may encompass contiguous or noncontiguous territories. (It should be noted that studies of special districts exclude school districts, autonomous local governments that provide education services and are funded by the state).

The California Legislature has expressed a general preference for multipurpose governments such as municipalities and counties over special districts. In passing the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Legislature declared that “a single multipurpose governmental agency is accountable for community service needs and financial resources and, therefore,
Special districts were originally formed to meet collective infrastructure needs such as flood control and land reclamation in service areas that were determined by topography rather than the existing political boundaries of local government. Barlow (1991) argues that technical or engineering motives have changed in the 20th century to reasons of convenience. Communities turn to special districts to avoid annexation or incorporation in an existing unit of local government or scheme for large scale service provision. For Barlow, special districts are anathema to regional government: “A shift in emphasis from need-stimulated districts to convenience-inspired districts has helped to ensure that this proliferation has produced spatial patterns that are illogical, inefficient, and confusing, particularly in metropolitan areas” (pp. 229-230).

An examination of the service-provision efficiencies, economies of scale or spending-skewing tendencies of special districts is beyond the scope of this paper. Instead, as noted above, this research focuses on the state enabling legislation for select special districts in California and the geographic, fiscal and governance attributes of those districts. An understanding of the legal parameters of special districts is important because while proponents of special districts assert that their formation is in response to service demands, it appears that as important if not more significant factors are the legal frameworks that enable the emergence of special districts.

GENERAL LEGAL BACKGROUND TO SPECIAL DISTRICTS

As of the year 2000, California had 200 state laws enabling special districts, with 53 major statutory types of special districts providing 32 distinct services (California State Controller 2003). From among these 32 services, the most common include water utilities, lighting and lighting maintenance, fire protection, waste disposal, construction and maintenance of streets and roads, financing and constructing of facilities, recreation and parks, cemeteries, drainage and drainage maintenance and land reclamation and levee maintenance (California State Controller 2003). Beyond these common services, special districts perform other key functions that are important to the quality of life in California, such as air pollution control, airport development, harbors and ports, transit services, hospital development and operation, and police and fire protection, to name a few.

Special districts typically are granted many of the same powers as California’s municipalities and counties, including the authority to levy fees, taxes and assessments, to issue revenue and property tax bonds, to enter into contracts, employ workers, to sue and be sued and to use the power of eminent domain to acquire property for public use with just compensation. Special districts usually are not granted the power to regulate land use, which remains under the jurisdictional authority of cities and counties.

All special districts must be enabled by state legislation, and most are enabled by general legislation, called principal acts defining the powers, formation procedures and authority of special districts. Some districts are formed pursuant to special enabling legislation pertaining to a single
geographic area, although this is rare since a provision of the California Constitutional prohibits special acts where a general or principal act can be made applicable.

**FORMATION OF SPECIAL DISTRICTS**

Once enabled, special districts can be formed through two main avenues specified under California law: for districts created by general legislative acts, the standardized Local Agency Formation process and, for districts created by special legislative act, the legislative mandate.

Most special districts are created under principal acts, statutes that define the general terms for creation and operation of a type of special district. As noted above, there are 53 major statutory types of special districts. Of these principal act special districts, most are subject to Local Agency Formation creation procedures. Under these procedures, citizens first submit a petition to the Local Agency Formation Commission calling for the creation of a special district along with a study examining the boundaries, environmental effects, proposed services and revenue options. Once the study and petition are reviewed and approved, the Commission then holds two public hearings on the petition, with property owners and voters permitted to block formation of the district by majority protest votes at the second hearing. If the formation is not blocked, then the Commission holds an election with a simple majority vote required for passage and formation or with a two-thirds majority required for districts involving new taxes (League of Women Voters of California 2004). Other principal act special districts may be formed by cities or counties without the involvement of the Local Agency Formation Commission, although the Commission procedures are followed in general (see, for example, the business improvement district formation requirements below).

Second, the Legislature may legislatively create special districts by special statute pertaining to that particular district. The Air Quality Management Districts in the South Coast, Bay Area, Sacramento Metropolitan and Mojave Desert regions are examples of districts created by special act. According to the California State Senate Local Government Committee, other examples include the Humboldt Bay Harbor Recreation and Conservation District, the Fairfield-Suisun Sewer District and the Alameda County Food Control and Water District. Such special act districts often will have particular powers or procedures not applicable to other special districts of the same type. In addition, the legislation will often define the geographic territory of the special district. In all, there are approximately 120 special act districts in California (Mizany and Manatt 2002).

**GOVERNANCE OF SPECIAL DISTRICTS**

Special districts are most commonly governed by boards of directors elected directly by the district voters or appointed for fixed terms by a parent or authorizing authority. These independent districts make up approximately two-thirds of the special districts in California (Mizany and Manatt 2002). The parent entity may exert some oversight over the independent district through appointments of board members, but the district will have substantial autonomy over the performance of its functions. Directly elected boards are described as autonomous in the charts below.

Conversely, dependent special districts typically are governed directly by the city council or county board of supervisors that authorized creation of the special district, an arrangement described as captive in the charts below because the special district is not independent. And, as is described in further detail below, the governance requirements for business improvement districts are not set forth in the statutory language.

**FISCAL ASPECTS OF SPECIAL DISTRICTS**

The Legislature has authorized special districts to collect non-tax and tax revenues. Those special districts supported mainly by non-tax revenues, such as user fees, are generally referred to as enterprise districts and generally are operationally self-sustaining, similar to private enterprises. As the California
Special District Association notes, “virtually all water, waste and hospital districts are enterprise districts.” Also included in this category are airport, port and other infrastructure facility districts.

Taxing districts rely on property taxes or other general taxes to support their operations because fees for service would be difficult or impossible to collect since the services benefit the area at large and not individual users. Examples include mosquito abatement districts, park and recreation districts, and property and business improvement districts.

In many cases, districts will use a blend of financing. Many non-enterprise districts, while primarily reliant on property tax revenues, may offset operational expenses with fees and citations. Enterprise districts, when seeking to make large capital investments, may seek to issue property tax revenue bonds, using the authority of the relevant city council or board of supervisors to do so. In some rare instances, special districts are dependent on appropriations of general fund revenues from the parent entity. Such is the case with county and unified air pollution control districts described in the charts below. In addition to distinguishing between enterprise and non-enterprise districts, special districts are further categorized as independent if they have access to revenue streams and are not dependent on appropriations by other legislative bodies.

**FOSTER’S GEOGRAPHIC AND FISCAL IMPLICATIONS OF SPECIAL DISTRICTS**

The special districts examined for this paper are categorized according to geographic and financial subtypes developed by Foster (1997, pp. 104-110). With regard to consideration of geographic scope, Foster finds three major categories of special districts: regional, municipally coterminous and sub-county service areas that are not coterminous with municipalities. Regional districts are those formed at the county level or higher. The goals of regional service delivery “include greater equity, accomplished through service standardization, and greater efficiency, accomplished by capturing economies of scale and internalizing spillovers” (Foster, p. 104) Typical regional special districts include airports, transit, sewerage and other services with high capital and fixed costs.

Different motives generally drive municipally coterminous districts, which are formed by municipal officials to raise capital funds in support of a public capital investment, such as a library or recreation facility (Foster, p. 106) that will serve the municipality. Foster describes such districts as capitalizing. Sub-county districts permit the provision and tailoring of services in unincorporated areas served by the county rather than a municipality. Foster indicates the effect of such service provision as particularizing.

In financial terms, Foster points out special districts as having collectivizing or privatizing effects. Generally, non-enterprise districts financed primarily by property taxes have a tendency to collectivize the costs of service delivery by spreading those costs across property owners, rather than imposing user fees. Foster asserts that enterprise districts based on user fees and other service charges tend to privatize the costs of service delivery (Foster, p. 107). Foster combines these geographic and financial implications of service delivery as shown in figure No. 1.

<table>
<thead>
<tr>
<th>Financing Mode</th>
<th>Geographic Scope</th>
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<tr>
<td>Nontaxing “Privatizing”</td>
<td>I. Regionalizing-Collectivizing</td>
</tr>
<tr>
<td>Taxing “Collectivizing”</td>
<td>II. Regionalizing-Privatizing</td>
</tr>
<tr>
<td></td>
<td>III. Capitalizing-Collectivizing</td>
</tr>
<tr>
<td></td>
<td>IV. Capitalizing-Privatizing</td>
</tr>
<tr>
<td></td>
<td>V. Particularizing-Collectivizing</td>
</tr>
<tr>
<td></td>
<td>VI. Particularizing-Privatizing</td>
</tr>
</tbody>
</table>

**Figure No. 1: Special District Subtypes (from Foster 1997, p. 105)**
REGIONALIZING-COLLECTIVIZING AND REGIONALIZING-PRIVATIZING DISTRICTS

Regionalizing-collectivizing districts are regional in scope and typically formed by municipalities or counties to share the costs and benefits of regional resources, such as zoos. In the California districts examined below, air pollution control districts are regionalizing-collectivizing or regionalizing-privatizing, depending on the funding mechanism used by the district. California airport districts are distinctly regionalizing-privatizing in their operations, but tend toward regionalizing-collectivizing if property tax revenue bonds must be issued against properties in the community at large.

CAPITALIZING-COLLECTIVIZING AND CAPITALIZING-PRIVATIZING DISTRICTS

Capitalizing-collectivizing and capitalizing-privatizing districts are municipally coterminous, with the first reliant on collective tax revenues and the second dependent on user fees. Foster contends that municipal officials form capitalizing-collectivizing districts to “capitalize on districts’ administrative flexibility, financial powers, and low political visibility” in the provision of public services that are indivisible or of compelling public benefit (p. 108). Examples include fire and park and recreation districts. Capitalizing-privatizing districts tend to be created for similar reasons but rely on user fees to better achieve fiscal equity aims. Foster includes in this category municipal housing authorities and water, sewer and utility districts (p. 109). In California, the most common capitalizing districts appear to be maintenance districts, parking districts, and sewer and sewer maintenance districts (State Controller 2003, Appendix B).

PARTICULARIZING-COLLECTIVIZING AND PARTICULARIZING-PRIVATIZING DISTRICTS

Particularizing-collectivizing districts typically provide service in unincorporated county or sub-municipal areas where local government officials, residents and perhaps developers may want specialized services or new services in a previously undeveloped area. Foster says most particularizing-collectivizing districts offer either fire protection in unincorporated areas or “developer-sponsored water, sewer and utilities districts” (p. 109). Particularizing-privatizing districts furnish services tailored for a particular area and funded by the beneficiaries of those services. Examples include sub-county road, sewer, utility and water districts. Examples from California discussed in the charts below include business improvement districts.

PRINCIPAL AND SPECIAL ACTS CREATING SELECT SPECIAL DISTRICTS IN CALIFORNIA

What follows is an examination of the creation and function, governance and fiscal aspects of selected California statutes authorizing the creation of special districts through principal acts and special acts pertaining to a single district. The paper also categorizes the special districts by governance and fiscal subtype as well as Foster’s six categories of geographic and financial service delivery types. The paper’s findings are summarized in the following six charts preceded by brief discussions of the findings for each chart.

AIR POLLUTION CONTROL DISTRICTS

California legislators have enacted eight separate statutes enabling air pollution control districts (California Health and Safety Code Section 40000 et seq.). The general air pollution control districts law requires the establishment of regulatory agencies in every county or region to regulate non-mobile sources of air pollution to ensure the attainment of state and federal air quality standards. The agencies are subordinate to the State Air Resources Board. Due to the nature of their regulatory mandate, air pollution
control districts tend to be regional in scope and have a variety of funding sources, including appropriations of county funds, property taxes and polluter fees, with varying collectivizing and privatizing effects.

There are three principal act air pollution districts, supplemented by five special act districts that were created in response to the particular geographic, meteorological and traffic congestion conditions of particular regions in California facing especially acute air pollution problems. These special regional districts generally have additional powers to regulate vehicular and non-vehicular sources of air pollution, including the promotion of cleaner-burning fuels, solar energy, new emissions control technology, retrofit technologies, including at electric power plants. The South Coast Air Quality Management District, permitted to limit the operations of motor vehicles during air pollution emergencies, may restrict the operation of heavy duty trucks during peak traffic periods, may call for changes to the composition of diesel fuel and may institute a small business assistance program.

It should be noted that while air pollution control districts are special districts, Mizany and Manatt (2002) omit them from their guide to special districts because they are regulatory and not service oriented in nature. They are included for purposes of this paper because of the similarities they share with other special districts.

<table>
<thead>
<tr>
<th>Air Pollution Control Districts</th>
<th>Creation/Special Functions</th>
<th>Governance</th>
<th>Fiscal</th>
<th>Subtype</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Air Pollution Control Districts</td>
<td>Created by Board of Supervisors at county level to regulate non-mobile sources of air pollution.</td>
<td>Member cities and county Board of Supervisors appoint to the governing board from among their members.</td>
<td>County districts are subject to appropriations of county funds.</td>
<td>Governance: Appointed, independent; Fiscal: Dependent; non-enterprise Geo-financial: Regionalizing-collectivizing</td>
</tr>
<tr>
<td>Unified Air Pollution Control Districts</td>
<td>Formed by two more existing county air pollution control districts in a contiguous area. Subject to approval by Board of Supervisors.</td>
<td>Same as above.</td>
<td>Same as above.</td>
<td>Governance: Appointed, independent; Fiscal: Dependent; non-enterprise Geo-financial: Regionalizing-collectivizing</td>
</tr>
<tr>
<td>Bay Area Air Quality Management District</td>
<td>Formed by seven counties and portions of two other counties; permitted to establish sub-zones of additional regulation and taxation.</td>
<td>Elected or non-elected officials who are appointed by member cities and counties.</td>
<td>Property taxes.</td>
<td>Governance: Appointed, independent; Fiscal: Independent; Geo-financial: Regionalizing-collectivizing</td>
</tr>
<tr>
<td>Regional Air Pollution Control Districts</td>
<td>Formed by two or more counties within an air basin. Formation subject to petition, hearing and resolution of county boards of supervisors.</td>
<td>Elected or non-elected officials appointed by member cities and counties. Certain number must be elected officials. By agreement, board members may have weighted votes.</td>
<td>Property tax apportioned by assessed valuation and county population.</td>
<td>Governance: Appointed, independent, with provisions for weighted votes; Fiscal: Independent; non-enterprise Geo-financial: Regionalizing-collectivizing</td>
</tr>
<tr>
<td>Name</td>
<td>Creation/Special Functions</td>
<td>Governance</td>
<td>Fiscal</td>
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<tr>
<td>South Coast Air Quality Management District</td>
<td>Formed by four counties in the greater Los Angeles metropolitan area and conferred additional powers to control vehicular and non-vehicular sources of pollution due to the greater levels of air pollution in the region.</td>
<td>12 member board with members appointed by the Governor, legislative leaders, boards of supervisors, and member cities. Certain board members are to be technical experts.</td>
<td>Grants, polluter permit fees and penalties, and a motor vehicle surcharge fee to support clean-burning fuel and air pollution reduction programs.</td>
<td>Governance: Appointed, independent; Fiscal: Independent; enterprise Geo-financial: Regionalizing-privatizing</td>
</tr>
<tr>
<td>Sacramento Metropolitan Air Quality Management District</td>
<td>Includes all of the County of Sacramento and granted similar powers and authority to the South Coast AQMD.</td>
<td>Governed directly by the Sacramento County Board of Supervisors.</td>
<td>Polluter permit fees and penalties, and a surcharge on motor vehicle registration to promote the conversion of fleet vehicles to cleaner-burning fuel operation.</td>
<td>Governance: Captive Fiscal: Independent; enterprise Geo-financial: Regionalizing-privatizing</td>
</tr>
<tr>
<td>Mojave Desert Air Quality Management District</td>
<td>Includes counties areas in two desert counties</td>
<td>Elected or non-elected officials appointed by member cities and counties.</td>
<td>Polluter permit fees and penalties. (No motor vehicle surcharge provision.)</td>
<td>Governance: Captive Fiscal: Independent; enterprise Geo-financial: Regionalizing-privatizing</td>
</tr>
<tr>
<td>San Joaquin Valley Unified Air Pollution Control District</td>
<td>Includes all of seven counties and portion of one county in the Air Basin. Granted similar powers to South Coast AQMD. May also monitor agricultural pump emissions.</td>
<td>Governed by 11 member board of appointed county and city representatives.</td>
<td>Polluter permit fees, penalties and vehicle license fees.</td>
<td>Governance: Appointed, independent Fiscal: Independent; enterprise Geo-financial: Regionalizing-privatizing</td>
</tr>
</tbody>
</table>

### CALIFORNIA AIRPORT DISTRICTS

The California Airport District Act facilitates the formation of intercity and county airport districts to develop airports (California Public Utilities Code Section 22001 et seq.). However, unlike the regulatory air quality management districts noted above, the voters in a proposed district area are permitted to approve or disapprove the formation of an airport district. There are no special act airport districts codified in state law. Airport districts tend to be regionalizing and to have a privatizing effect due to the reliance on user fees. Airport districts can have a collectivizing effect when bonds are issued to build infrastructure improvements, such as a new terminal.
California Airport Districts

<table>
<thead>
<tr>
<th>Name</th>
<th>Creation/Special Functions</th>
<th>Governance</th>
<th>Fiscal</th>
<th>Subtype</th>
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<tbody>
<tr>
<td>California Airport District Act.</td>
<td>Formed pursuant to resolution of intent by County Board of Supervisors. Requires a public hearing and election approval by majority of voters.</td>
<td>Five member board directly elected by voters.</td>
<td>Fees, tolls, and rental revenues. May issues notes and bonds. Bonds may be backed by property taxes levied by the Board of Supervisors.</td>
<td>Governance: Autonomous; Fiscal: Independent; enterprise; Geo-financial: Regionalizing-privatizing</td>
</tr>
</tbody>
</table>

GARBAGE DISPOSAL DISTRICTS

California Public Resource Code Section 49000 et seq. permits the creation of garbage disposal districts to collect and dispose of trash and to operate garbage dumps. As with airport districts, there are no special districts created legislatively. Voters are also given the opportunity to support or oppose a proposed garbage disposal district. Garbage districts generally facilitate service provision in unincorporated metropolitan areas, and hence have a particularizing and privatizing effect, when collection fees are levied. As with airports, bonds may be issued to develop landfills and other disposal facilities, a financing mode with a collectivizing effect.

Garbage Disposal Districts

<table>
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<tr>
<th>Name</th>
<th>Creation/Special Functions</th>
<th>Governance</th>
<th>Fiscal</th>
<th>Subtype</th>
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<tbody>
<tr>
<td>Garbage Disposal District Law</td>
<td>Formed pursuant to resolution of intent by County Board of Supervisors. Subject of local agency formation procedures. Garbage districts are sub-county in size and may be comprised of noncontiguous areas.</td>
<td>County Board of Supervisors constitute the governing board.</td>
<td>Property taxes and general obligation bonds. Collection fees may be levied for counties with population greater than 6 million.</td>
<td>Governance: Captive; Fiscal: Independent; enterprise for large counties Geo-financial: Particularizing-privatizing</td>
</tr>
</tbody>
</table>

MOSQUITO ABATEMENT, VECTOR CONTROL AND PEST ABATEMENT DISTRICTS

California Health and Safety Code Sections 2000 and 2800, et seq. set forth the rules for the creation of mosquito and pest abatement and vector control districts, which are straightforward districts that spread the cost burden of a largely indivisible service: pest and disease abatement. While they may be regional in geographic scope, abatement districts have a particularizing effect due to the service provision implications of topography and climate, but tend to have a collectivizing fiscal effect due to the reliance on property tax revenues.
<table>
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<th><strong>Mosquito Abatement, Vector Control and Pest Abatement Districts</strong></th>
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<td><strong>Name</strong></td>
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<tr>
<td>Mosquito Abatement, Vector Control and Pest Abatement District Law</td>
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</table>

**RECREATION AND PARK DISTRICTS**

Recreation and Park Districts are enabled pursuant to Public Resources Code Section 5780 et seq. Perhaps in recognition that parks and recreational opportunities may be distant from traditional service areas, such districts are permitted to provide a wide range of services that might normally be provided by a general purpose government, such as garbage collection, street lighting, fire protection, transportation and street sweeping services. Recreation and park districts have a regionalizing effect in terms of territorial reach, and are collectivizing due to the reliance on property tax revenues, although user fees related to operations may bring in some revenues as well.

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<th><strong>Recreation and Park Districts</strong></th>
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<tr>
<td><strong>Name</strong></td>
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<tr>
<td>Recreation and Park District Law</td>
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**BUSINESS IMPROVEMENT DISTRICTS**

Business Improvement Districts are special districts authorized to levy business license and/or property assessments for the purpose of improving a business area, typically through marketing efforts and “clean and safe” programs using contracted maintenance and private security teams. Business Improvement Districts are enabled through three sections of the Streets and Highways Code, the Parking and Business Area Improvement Law of 1965 (Section 36000, et seq.), the Parking and Business Improvement Law of 1989 (Section 36500 et seq.), and the Property and Business Improvement District Law of 1994 (Section 36600 et seq.). Business improvement districts tend to be particularizing, with services targeted to sub-municipal areas, most often downtown commercial zones. Their fiscal impacts are privatizing due to the requirement for a direct linkage between service benefits and business license or property tax assessment.
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<th>Name</th>
<th>Creation/Special Functions</th>
<th>Governance</th>
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<tr>
<td>Parking and Business Improvement Area Law of 1965</td>
<td>Authorizes cities to create parking and business improvement areas for the purpose of acquiring, constructing or maintaining parking structures and to promote retail trade activities in the area. Establishment is subject to city council hearing and protest vote by a majority of business owners paying the tax.</td>
<td>City Council has sole discretion as to use of revenues but may appoint an advisory committee.</td>
<td>Business license tax. Tax assessment based on benefit.</td>
<td>Governance: Captive; Fiscal: Independent; enterprise Geo-financial: Particularizing-privatizing</td>
</tr>
<tr>
<td>Parking and Business Improvement Law of 1989</td>
<td>Authorizes cities and counties to establish parking and business improvement areas for the same purposes as above and, in addition, to pay for benches, street lighting, parks, fountains and other business area capital improvements. Establishment is subject to petition, city council hearing and protest vote by majority of businesses owners paying the tax.</td>
<td>City Council has sole discretion as to use of revenues and is required to appoint an advisory committee to recommend expenditures.</td>
<td>Same as above.</td>
<td>Governance: Captive with external input; Fiscal: Independent; enterprise Geo-financial: Particularizing-privatizing</td>
</tr>
<tr>
<td>Property and Business Improvement District Law of 1994</td>
<td>Authorizes cities and counties to establish property and business improvement districts to promote and support retail trade activities and capital improvements in the area in accordance with a management district plan. Establishment is pursuant to petition, hearing and protest vote by majority of property owners paying the tax. Law expressly permits charter cities to adopt ordinances providing for different procedures for levying assessments.</td>
<td>A private nonprofit entity, “owners association” may be under contract to the city to implement the management district plan. The City Council may approve annual financial reports filed by the owners association. Owners associations are private entities but are required to comply with state open meetings and public records laws.</td>
<td>Property or business license assessment. Assessment based on measured benefit. Residential and agricultural properties are exempt. City Council may permit issuance of bonds based on property tax or business license assessments not to exceed 30 years.</td>
<td>Governance: Not specified, may range from autonomous to independent, appointed; Fiscal: Independent; enterprise Geo-financial: Particularizing-privatizing</td>
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</table>
Mizany and Manatt, in their guide to California’s special districts, maintain that in comparison to
general purpose governments, special districts can more adeptly tailor services to meet community
demands. While this paper studies the legal frameworks for special districts, rather than the actual
operations of special districts, it appears clear that special districts are designed to be adaptive to local
needs. Depending on the legal framework, communities, interest groups or elected officials who are
instrumental in the formation of special districts can vary the revenue rates and level of service provision
and the geographic size, and can create an independent or captive governance structure.

While special districts do render highly adaptive and focused services, it also appears that the
focus of certain special districts has widened over time. A tentative conjecture that can be drawn from the
examples of the enabling laws for air pollution and business improvement district is that there is a
tendency to expand the powers and authority of special districts with each successful legislative
reincarnation.

For instance, air pollution districts evolved ever more sophisticated and independent sources of
revenues, starting with property taxes, moving to appropriations of county funds, and finally, to polluter
permits and special fees on motor vehicle registrations. With these revenue-dependency changes, air
pollution control districts moved from non-enterprise funds to self-sustaining privatizing enterprise funds.
This change also resulted in a more equitable distribution of the costs of abating air pollution, with
polluters and motorists paying to subsidize the regulatory agency. Of course, the shift to enterprise funds
may be a result of declining traditional sources of revenues, particularly in post-Proposition 13 California.

The revenue base of business improvement districts has also expanded, in a dramatic fashion.
Originally funded by business license taxes, in 1994, these districts were authorized to levy property tax
assessments and most recently were statutorily authorized to issue revenue bonds, with a vastly increased
potential for funding large-scale capital improvements.

These two examples of special districts are too few to draw a conclusion, however, and a fruitful
area of future research would be to examine other special district principal and special act enabling
legislation that has undergone multiple reincarnations over time with a view toward whether powers and
authority were expanded.

Special districts vary greatly in the legal provisions concerning their governance. Governing
boards may be “captive” bodies consisting of the same county supervisors or city council members who
have formed the special districts. Or, the special district governing board may consist of appointees of the
parent governing body. These appointees may be elected officials or volunteers with a particular interest
in the activities of the special district. The governing board may be wholly autonomous of other agencies,
with its members directly elected by the district constituencies.

Air quality management districts and business improvement districts merit special attention with
regard to governance. Concerning air quality management districts, it appears that, in one instance at
least, the state has encroached on the governance of what is essentially a unit of local government. And
in business improvement districts, it appears that they exhibit distinct private attributes in terms of service
provision, administration, financing mode and governance, yet public authorities, in the forms of city
councils, are authorized to wield assessment and bonding authority on behalf of the business
improvement district.

Although their revenue sources and regulatory powers are similar, air quality management
districts created by principal and special acts have diverse governance requirements. The governing
boards of most air quality management districts are either appointed by the constituent cities and counties
or consist of the county supervisors themselves. However, the South Coast Air Quality Management
District (SCAQMD) has a different governing board composition. The State Governor, State Legislature,
County Board of Supervisors, and participating city councils all appoint members to the governing board
of the SCAQMD. Certain board members are required to be technical experts. The SCAQMD is the sole air quality management district where state as well as local and regional interests are represented through the governing board appointment process. As units of local government, however, special districts are explicitly not branches of state government (Mizany and Manatt 2002). An area for future research is whether this involvement of state government in special district governance represents a general trend toward state encroachment and participation in regional special districts or is a unique bargain struck as part of the legislative process at the time of the enactment of the special authorizing legislation creating this pioneering air quality management district.

The governance structure of business improvement districts is also of interest because the enabling legislation, the Property and Business Improvement District Law of 1994, remains vague with regard to governance procedures and structure. While most special district enabling legislation sets forth the procedures for selecting governing board members, the business improvement law does not. Instead, the law states that a city council may contract with a private nonprofit organization, called an owners’ association, to implement the improvements identified in a district management plan. In this case, the governing board of the private nonprofit organization becomes the governing authority of the business improvement district. (It should be noted that the enabling statute states that owners’ associations explicitly are not public entities yet are required to observe state law requiring open meetings and public access to non-confidential organizational records.) Nevertheless, a city council is entitled by statute to opt not to contract with an owners’ association, leaving the city council itself as the governing authority. Whichever the case, it appears that the privatization of government services, revenue sources and governance presented by business improvement districts poses challenges for public administrators not seen in the other special districts examined here. Whether the vagueness of the statute with regard to governance and uncertain lines of authority will present real-world issues of accountability remains to be seen. It may be worthwhile to examine the 213 nonprofit corporation special districts reported by the California State Controller’s Office with regard to governance structure and process and potential public administration issues.

FOSTER’S FRAMEWORK FOR CONSIDERING THE EFFECTS OF SPECIAL DISTRICTS

Foster’s framework of six categories for considering the fiscal and geographic effects of special districts is a useful analytic tool for understanding the differences among special districts. In terms of geographic scope, districts vary greatly in size and may have particularizing, capitalizing and regionalizing effects. Depending on whether the district relies on tax revenues or user fees, it may have privatizing or collectivizing effects. The research for this paper is preliminary and found examples of special district in California law corresponding to each of Foster’s categories with the exception of the municipally coterminous special districts, which Foster calls capitalizing districts. Further research would be required to investigate such municipally oriented special districts since they are not codified in state law, which was the source material for this examination, but instead are created under municipal authority.

On the whole, the examination and categorization of special districts may be useful to public administrators and members of the public alike so that they can better understand the full range of fiscal, governance and geographic options presented by special districts and the implications of selecting from among those options.

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