Achievements and Tendencies of Administrative Reform in China

DONG Ke-yong, YANG Hong-shan
(School of Public Administration, Renmin University of China, Beijing 100872, China)

Abstract: Based on the review of achievements and problems of the administrative reform in China, this paper further inquires into its developmental tendencies. Since the 1980s, Chinese government has launched five administrative reforms and has set up an administrative system adaptable to the market economy system. Achievements can be seen in the downsizing of organizations and staff, the transformation of government functions, local initiative stimulated by non-institutional decentralism, and a gradually weakened control over the society by the state. Problems still exist in the current administrative system. Governments at various levels are still subjected to the totalitarian-government model in the allocation of functions. Inefficiency occurs in the provision of public goods when the government takes on responsibilities of both steering and rowing. Superiors’ will rather than the law still dominates in government behaviors. Channels of orderly political participation for citizens need to be expanded in government process. Excessive administrative levels become a disadvantage to good governance. The tendencies of the administrative reform in China are as follows: Transition from a regulation-oriented government to a service-oriented government, from a totalitarian government to a limited government, from a government of the rule of man to a government of the rule of law, from a rowing government to a steering government and from a pyramidal government to a flat government.

Key words: administrative reform; governmental administration; market economy; China

Since the 1980s, in order to meet the needs of economic development and social transition, Chinese government has launched five administrative reforms and has set up an administrative system adaptable to the market economy system. Governments at various levels have removed the departments of economic management in machinery, textile, chemical, coal, electricity industry and so forth. Government functions have been enhanced in the areas of macro-control, social security and environmental protection. Administrative efficiency has been improved greatly. However, problems still exist in the current administrative system. A further involvement in the economic globalization and the need to deepen economic and social reform combine to call for the reform and construction of the Chinese government itself.

The international environment reveals a challenge of fierce competition driven by economic globalization. So it is essential to accelerate the reform of Chinese government itself. Only by lowering institutional costs, introducing foreign investments and increasing exports can China raise its competitiveness and possess an advantageous position in the global competition. From 2000 to 2005, direct foreign investments in China added up to 274.08 billion US dollars, the highest level of introduced foreign investments among developing countries (WEN Jia-bao, 2006). In the future, the continuous introduction of foreign investments depends not on the...
lowering of the costs of factors (labor price), but on the lowering of institutional costs (organizational costs) and the promotion of qualities of factors (labor skills and professional ethics), which is closely related to governmental administration (ZHOU Qi-ren, 2006). In a word, only by the administrative reform and the promotion of government performance can China strengthen its competitiveness.

The domestic realities of the deepened reform of the economic and social system also call for a reform of the Chinese government. Twenty-five years of economic and social reform has brought forth in China a socialist market economy system. The government’s tradition of the control over economic resources has been replaced by the market mechanism, which plays a more and more important role in resource allocation. As to the social management system, the traditional management system of “units” has begun to wither away. There has been improvement in individual autonomy, mobility of the population, development of NPO/NGOs, establishment and betterment of a new style of community management system. Compared with the economic and social reform, the governmental reform is left behind. The current administrative system shows its inadaptability to the new progress of the economic and social development. For example, the household registration system obstructs urbanization and the mobility of the population, bringing a barrier between the urban and rural areas. Matters requiring administrative examination and approval are so many that it easily foster corruption and the ideology of official-center. Blocked channels for citizens’ participation cause ignorance in the service attitudes of some local governments and even turn a public policy into an instrument to seek departmental interests. So the deepened economic and social reform requires a breakthrough in the administrative area.

Based on a review and summary of China’s administrative reform since its reform and opening up, this paper will inquire into its current problems and developmental tendencies.

1. History and Achievements of China’s Administrative Reform

From the 1980s, the Chinese government initiated five administrative reforms in 1982, 1988, 1993, 1998 and 2003 respectively. Before these reforms, China implemented a highly centralized planned economy system. The central government (the State Council) consisted of 100 departments and was severely overstaffed. In the year 1981, there was 13 Vice-Premiers. The number of Vice-Ministers in some Ministries and Commissions reached more than 10 (XIE Qing-kui, 2003). In 1982, China drew up a new Constitution and Organic Law of the State Council. In March of the same year, the Standing Committee of the National People’s Congress approved the Report on Institutional Restructuring of the State Council proposed by the Premier, which marked the beginning of the administrative reforms in the following years. Generally, achievements can be seen in the following aspects:

1.1 Success in downsizing organizations and staff

After the reform in 1982, departments of the State Council were downsized from 100 to 61 (WANG Yu-kai, 1998). The number of Vice-Premiers was cut down from 13 to 2 and the number of State Councilors was increased to 10. The total number of Ministers and Vice-Ministers in charge of Ministries and Commissions was reduced by 67%. The reform in 1982 put its emphasis on downsizing yet with no awareness of the transformation of government functions, so departments began to boom again not long after this reform. By 1988, there was as many as 72. The reform in 1988 featured in the transformation of government functions rather than mere downsizing and set up the principle of separation of the party-in-power’s leadership from government functions, separation of government functions from enterprise management and promotion of administrative efficiency. This reform decreased the departments of the State Council to 68. However, influenced by the Student Movement on
June 4, 1989, the reform in 1988 didn’t reach the local government level.

In 1992, the party-in-power and the central government set up an objective for the economic reform, that is, to establish the socialist market economy system, which became a driven force for a new wave of reform in 1993. The numbers of departments of the State Council was cut down to 59. Five years after that, Chinese central government initiated the 1998 reform, the biggest and most difficult reform in the history of New China. Departments of the State Council were reduced from 59 to 53 and the number of civil servants was reduced by 47%. The 2003 reform focused on deepening the reform of the management system of state-owned assets instead of downsizing. It resulted in the establishment of the State-Owned Assets Administration Commission in the central, province and city levels, which is respectively responsible for regulating and administering state-owned enterprises subordinated to the three levels.

1.2 Transformation of government functions

Government functions tell what a government is responsible for and what it can do. It draws a standard of “what to do” and “how to do” for a government. The tendency of the transformation of government functions is to gradually strengthen the role and function of the market in resource allocation. The 1988 reform explicitly asserted for the first time that the transformation of government functions is the key to the success of China’s administrative reform (PU Xing-zu, 1999). All of the following reforms raised the slogan of transformation of government functions, separation of government functions from enterprise management, enhancement of enterprises’ power in managing and decision-making, enhancement of administrative departments in macro-control and social management and a cut-back in administrative examinations and approvals. Generally, accomplishments in the transformation of government functions in the last two decades are:

1.2.1 A decrease in planned production. In 1979, planned industrial production constituted 95% of the gross industrial production. In 2005, it significantly decreased to 10%. Government-priced categories add up to less than 8% in the list of commodities and means of production. And a public price-hearing system has been set up for those government-priced categories.

1.2.2 An enhancement of decision-making power of state-owned enterprises. Since the reform and opening up, the state-owned enterprises went through five stages in their reform. From 1978 to 1982, the government granted power and interests to state-owned enterprises. From 1983 to 1986, they began to pay tax instead of handing in profits to the government. From 1987 to 1991, the contract system was implemented. From 1992, the joint stock system was applied. From 1994, they focused on perfecting the enterprise system and company management structure (LIU Yong-ze, 1998). All these reforms lead to a decrease of the share of state-owned enterprises in the national economy. And the government no longer intervene enterprises’ activities in production and operation.

1.2.3 A larger proportion of non-public economy in GDP. There were no private enterprises before the reform and opening up. But since then, non-public economy prospered at a more rapid pace than public economy. In 1992, the party-in-power stated that “individual and private economy are necessary complements to the public economy, they should be and can be used by socialism” (CCP’s Central Committee, 1992). It gave legitimacy to non-public economy in the ideological area. So far, it has constituted more than 70% in GDP.

1.2.4 An enhancement of government functions in macro-control and social management. The central bank system has been gradually established since 1994. With business removed from the People’s Bank of China, it turned into the central bank, with the four special banks turned into state-owned commercial banks. In 1998, Ministry of Labor and Social Security was established, exercising the unified function of social security which
was used to be exercised by several specialized departments.

1.3 Growing initiative of local governments stimulated by non-institutional decentralism

From the 1980s, economic and social realities urge the central government to apply non-institutional decentralism. On the one hand, the central government implements a universal “power-and-interest-granting” policy, giving more decision-making power to local governments in the areas of finance, taxation, personnel, administrative examinations and approvals and economic management. On the other hand, the central government grants power to and implements favorable policies in special economic zones, Guangdong Province, Fujian Province, cities specifically designated in the state plan, open cities in coastal areas, open economic zones, economic development zones, sub-province-level cities, the 12 provinces in Western China and traditional industrial base in Northeastern China, all of which gain more decision-making power from the reform.

Such power-and-interest-granting policies have fostered a desire for special interests in local governments, which used to be mere subordinates to their superiors. Shift of power of economic and social management to lower levels has come along with the development of local interests and localism. A local government is a subject of interests in administering local public affairs, organizing and implementing the provision of local public goods, so it has the obligation to protect local interests. The realities of China’s local economic development since the 1980s indicate the fact that local governments always stand on the side of their residents and enterprises due to the interest difference between the central and local governments. The development of township enterprises, urban private economy and the contract responsibility system with remuneration linked to the household in rural areas is attributed to the efforts of market players under the policy supports and protection by local governments. Moreover, competition has occurs for investments, talents and technology among local governments. With many favorable policies and reform measures implemented, the vote-by-feet mechanism begins to work for enterprises and residents. It is the local innovation in governance that gradually disintegrates the planned economy system and perfects the infrastructure of the market economy.

1.4 Weakened control over the society by the state

After the foundation of New China in 1949, the party-in-power and the Chinese government turned the military management system, which was formed during the wartime, into the normal administrative system. On the one hand, all economic and social resources were controlled by the government, the only channel through which enterprises and public institutions could get access to resources. On the other hand, the government exercised overall control over individuals by applying a management system of “units”, to which all laborers were subjected. Only through a unit could an individual get his social welfare, including salaries, housing, medical care, pension and children’s education.

Since the 1980s, the economic reform has been gradually disintegrated the management system of units, giving more autonomy to the society and individuals. On the one hand, the government narrows the range of control over the society. With the People’s Communities disintegrated, the government gave up direct activities in organizing agriculture production. The contract responsibility system with remuneration linked to the household was established, endowing farmers with decision-making power in production. Since the reform and opening up, private economy and foreign capital economy have prospered rapidly, and NPO/NGOs have strived to develop to some extents. On the other hand, the government’s means to control the society has altered from administrative means to legal and economic means.

The government’s weakened control over the society has enlarged the independence and decision-making power of various social organizations. State-owned enterprises and public institutions subordinated to the
Achievements and Tendencies of Administrative Reform in China

government have been given strong power as well. More importantly, the government’s draw-back of its control together with the development of the market economy accelerates diversification of the social structure, fostering new professional strata, such as entrepreneurs, marketing professionals, high-tech professionals, managers, superstars in films and sports. Various social organizations including industry associations, business associations, cultural and sports associations, academic groups, funds and clubs are rising as well. All these NPO/NGOs listed above have built a civic society with Chinese characteristics.

2. Problems of the Current Administrative System

2.1 Governments at various levels are still subjected to the totalitarian-government model in the allocation of functions

The model of the totalitarian-government prevailed in the time of the planned economy. Under such a model, the government had overall control over social and economic affairs. Public power penetrated into every corner of the society, with no clear boundary between public and private fields. Although the market mechanism has been enhanced in resource allocation since the reform and opening up, yet the totalitarian-government model is still deeply rooted in government behaviors. In the economic field, there still exist the problems of no separation of government functions from enterprise management when the government tries to regulate and supervise enterprises. In civic aviation, railway, postal services and tobacco industry, regulatory departments act both as a referee and as a player. State-owned enterprises still largely invest in competitive industries which are profit-oriented. For those money-losing enterprises, the government helps them sustain by means of policy supports, returning tax and discount government loans, creating unequal positions for enterprises of different ownerships in the competition. While excessively participating in the operation and management of enterprises, it doesn’t fully perform its responsibilities in the public field, where the government is needed to administer and to provide public services. Citizens’ dissatisfaction on illegal charging in education and medical care in recent years indicates that there should be improvements in such public affairs.

2.2 Inefficiency occurs in the provision of public goods when the government takes on the responsibilities of both steering and rowing

The traditional theory of public administration holds that the government should take on the dual tasks of steering and rowing. It means that the government should be responsible for both provision and production of public goods and services, which is exactly the reality of China’s administration. Administrative departments make public policies and meanwhile produce public goods and services. Departments of public health, education, culture, city construction and environmental protection, just to name a few, set up a number of state-owned enterprises and public institutions as subordinates, assigning them to produce public goods while the government itself makes decisions, and even giving them franchises. Such subordinate organs, responsible for the production of public goods and financed by the government, are free from competition, so problems are apt to occur in qualities and service attitudes.

Such a steering-and-rowing government not only leads to overproduction of public goods, but also gives rise to corruption, work and projects for fame as well as the behaviors of grabbing interests from citizens. The severe problem of low efficiency cannot be ignored either. In order to protect departmental interests, some administrative departments limit and even exclude private enterprises from investing in public goods industries, resulting in the consequence that the administrative power is monopolized by administrative departments, departmental power
Achievements and Tendencies of Administrative Reform in China

turns into interests, and departments approve and protect such special interests by making laws themselves (LI Ya-biao, 2006). Many researches show that in some publicly operated sectors such as electricity, civic aviation, postal services, telecommunication, water supply, banks, TV stations, hospitals and newspapers, employees enjoy a far higher salary level than those of private sectors. The sectors listed above are confronted with the problems of over-employment and over-construction. Many public service sectors and state-owned companies are overstaffed. The number of employees in some sectors even doubles their actual demand. Take higher education for instance, one of China’s famous universities has more than 3000 staffs, but only 1400 belong to the faculty group.

2.3 Superiors’ will rather than the law still dominates in government behaviors

The Chinese tradition of the rule of man lasted several thousand years. The rule of man means that the opinion and will of the chief and superior comes first and prevails everything. Administrative behaviors should abide by decrees and will of them, rather than laws, regulations and public policies. Although the party-in-power and the Chinese government have begun to build a state of the rule of law since the 1980s, the tradition of the rule of man still has impacts on the government. At present, the phenomenon of official-center still exists in local governance. The principle of unconditional obedience to superior’s results in obedience to instructions from superior government instead of laws and regulations, leading to an abnormal situation that state laws weigh less than public policies made by superiors, public policies weigh less than instructions from superiors and instructions weigh less than oral orders from superiors.

Without the healthy development of supervision of power and the checking mechanism, the authority and stability of the law is greatly harmed in administrative organs, which are responsible to their superior levels. The law becomes the ear of the deaf, subjected to and even replaced by administrative power. The realities of local governance reveal that sometimes inferiors and individual civil servants would rather act against laws and policies than against their superiors who give instructions and orders in violation of laws. Some public policies made by local governments contravene state laws because a mature examination mechanism has not yet been set up.

2.4 Channels of orderly political participation for citizens need to be expanded in government process

In terms of institutional arrangements, citizens can participate in government administration as well as the making, implementation and appraisal of public policies by means of elections, exposures, letters and visits, advices, administrative reviews and so forth. Yet the actual effects indicate that there should be improvements in the effectiveness of citizens’ participation and the designing of relevant institutions. Let’s take a look at the right to vote, a chief channel for citizens to participate in politics. Currently, Chinese citizens can directly exercise their right to vote only in the elections of deputies to the People’s Congresses at the county and township levels, while deputies at the national, province and city levels are elected indirectly, namely, by the People’s Congresses at the next lower levels instead of their constituencies. In addition, the premier, governors, mayors and heads of governments at various levels are elected by the People’s Congresses at the corresponding levels instead of their constituencies.

Letters and visits are other ways for citizens’ participation. When a citizen cannot approve of a public policy or its implementation, considering his legal rights harmed by the administrative power, he can choose the way to write a letter or pay a visit to the government to the next higher level to express for himself his dissatisfaction and concerns. So far, as a way for political participation, it has played an important role in public life. However, with the reform and opening up deepened in China, all kinds of social conflicts begin to rise. Yet governments can only deal with part of the letters and visits, leaving the rest piled up and unsolved promptly, which harms the effectiveness of this channel for participation.
In recent years, news media, with its coverage and exposures of corruptions and public emergencies, has become an important way for public participation. Public hearings in legislation, pricing and decision-making have made progress in institutional construction. Nevertheless, access to public participation is blocked to some extents, so some governments pretend to be promoting public participation while they still possess dominant power to public affairs. For example, there are many taboos which journalist workers have to cautiously deal with in the supervision to the government. Deputies or participants of a public hearing of pricing or decision-making are selected by the government. Citizens’ participation has not yet become a strong effort to supervise the government. And low responsiveness still exists in some local governments.

2.5 Excessive administrative levels become a disadvantage to good governance

Currently, China implements a universal 4-level system of province-city-county-township (town), a pyramidal system of local governments, which no other administrative systems in history could match in the number of local levels. Few grand-scale countries with a vast territory and large population implement such a 4-level system. In practice, most foreign countries apply a 2-level or a 3-level system in their local levels. In the past, when informationization was low, increasing local levels could better guarantee bureaucracy. However, with too many levels established, the problems of overstaffing, low responsiveness and high administrative costs begin to rise. When governments are only responsible to their superiors and every new department is established under a specialized superior department, government functionary will inevitably be busily engaging in attending meetings and forwarding superiors’ decrees and orders, resulting in the prevalence of bureaucratism, low responsiveness to opinions and voices from the grassroots, and poor qualities and inadequate quantities of public services.

Let’s have a look at the actual situation. An overstuffed government multiplies administrative costs, making public finance into payroll finance (YANG Ting, 2006). Statistics show that from 1978, the beginning of the reform and opening up, to 2003, China’s administrative costs have increased by 87 times. Its proportion in total financial expenditure was increased from 4.71% in 1978 to 19.03% in 2003. The proportion in Japan, Britain, Korea, France, Canada and America are 2.38%, 4.19%, 5.06%, 6.5%, 7.1% and 9.9%. China’s proportion of administrative costs is 16.65% higher than Japan, 14.84% than Britain, 13.97% than Korea, 12.53% than France, 11.93% than Canada and 9.31% than America. Moreover, in recent years, it dramatically increased by 23% per year (REN Yu-ling, 2006). The rocketing costs do great harm not only to the government’s image but also to its legitimacy. One of the important factors to the increasing costs is the excessiveness of local government levels. For China, a grand-scale country with a vast territory and large population, an extra administrative level will inevitably lead to an enormous growth in new departments, civil servants and administrative costs.

In addition, the current system of subordinating counties to cities leads to cities’ behaviors of grabbing from county finance. Implemented in 1983, this system was expected to help promoting the economic development of counties through developed cities. Though it aimed at a good objective, in practice, it confuses the rule of development of counties with that of cities and contributes to cities’ behaviors of grabbing. Since a city and a county are two different economic systems with different principles of development, it is against the rule to try to promote agricultural prosperity under the rule of industrial development and to turn farmers into citizens by administrative means. Under the current system, city governments grab resource and money from counties by administrative and financial measures, giving priority to the construction of city infrastructure and public services for citizens, leading to various problems of the two.

3. Tendencies of the Administrative Reform in China
In March, 2006, the Chinese government drew up the 11th Five-Year Program for National Economic and Social Development (Draft). It states that during the 11th five years (2006-2010), the country will give priority to the governmental reform, including accelerating administrative reform, transforming government functions and drawing back from the areas which can be well managed by the market, enterprises and NPO/NGOs. The government will shift its focus from economic management to social management and public services. It signals that China will continue its administrative reform with the following tendencies.

3.1 Transition from a regulation-oriented government to a service-oriented government

The service-oriented government is a new concept against the disadvantages of the regulation-oriented government, which centers on the government itself and its functionary. A regulation-oriented government is an absolute ruler in economic and social activities. On the one hand, the government (the administrative branch) enacts administrative rules and regulations and policies. On the other hand, it exercises direct administrative intervention in enterprises’ activities in the access to the market, operation and management, investing, financing and pricing by those rules, regulations and policies. Under this administrative model, the government’s absolute power to control economic and social resource is apt to create absolute dependence of the public on the government, setting obstacles for fostering the ability of self-governance for citizens and the society.

Different from a regulation-oriented government, a service-oriented government centers on man and citizens. It considers citizens as masters of the state and the sole legitimate possessors of public power. The government is no more than an agent of public power. It must act in accordance with the people’s will, and base its administration and provision of public services on the approval of the people. Public policies should be supervised and examined by organs of public opinions. “Citizens-centered” signifies citizens’ dominant position in public services. The mass is a subject in decision-making for public services, and its degree of satisfaction is the ultimate standard to measure the government’s performance. The construction of a service-oriented government entails promotion in openness of government affairs, improvement in government news release system, improvement in transparency in government affairs, expansion of channels for public participation, and improvement of the systems of publishing, polls, consultation and public hearings of decision-making. Let the mass take part in the administrative process by listening to their opinions and voices through various channels.

3.2 Transition from a totalitarian government to a limited government

Under the market economy system, the market should play a fundamental role in resource allocation while the government should focus on correcting market failures and society failures. It should assume the responsibilities in economic regulation, market supervision, social management and public services. At the present time, there is still a gap between current functions of the Chinese government and the requirements of the market economy system. The government still steps into the private fields where it should not step into and cannot do well. As to public fields, where the government is needed, it should better perform its duties. Counterfeit and shoddy products in urban and rural trade market, accidents, environmental pollution, work and projects for fame and administrative inactions covered by news media indicate that there needs to be improvements in government functions and the ability of public administration.

Some government departments are keen on those affairs which they should not intervene and cannot do well because they can seek interests in them. The transition from a totalitarian government to a limited government is a process to restrict administrative power and to “break its own arms”, so resistance inevitably occurs. And this is why the central government highly resolves to accelerate reform of the administrative system, focusing on the transformation of government functions. The government will separate government functions from enterprise
management, enterprise property and their specific affairs, separate the government functions from intermediary organizations, enhance and improve macro-control, reduce the number of matters requiring administrative examinations and approvals, create a fair market where enterprises of different ownerships can compete, and shift government functions to economic regulation, market supervision, social management and public services.

3.3 Transition from a government of the rule of man to a government of the rule of law

A government of the rule of law is an important factor to guarantee the modern market economy system and democratic politics, also a major issue for those countries in the transitional stage to achieve the market system and democratic politics. Since the 1990s, with the establishment of the market economy, China has started its way to build a government of the rule of law. Nevertheless, the traditional ideology of official-center still remains and the phenomena of the rule of man still exist to some extents: A minority of government functionary consider themselves other than citizens as masters of the society. They take power as their own property and use it to seek interests for special groups or strata. They acknowledge the government as the sole subject to do the job of management, denying NPO/NGOs’ participation in social management. They make decisions according to their likes and dislikes and their relationships with others, paying no attention to citizen’s needs and sufferings. They are used to black case work and exercising their power rather than openness and transparency. They stress administrative discretion, unwilling to strictly abide by necessary processes and rules.

A government of the rule of law aims at safeguarding citizens’ rights and freedoms instead of the overriding privileges of the few who possess power. Cautious and prudent to public power because it upholds the ultimate authority of the law, which no social standards can contravene. And all government behaviors should abide the law. Under this government, the enactments and amendments of the law should be examined and approved by the legislative organs elected by the people. The judicial organs exercise judicial power independently and are not subjected to any interference by any organization or individual. The construction of a government of the rule of law is a process to shift the leading role from the administrative power to the law, restricting administrative power and exercising it in accordance with the law. So we need to gradually strengthen the administrative accountability system, improve the governments’ ability to perform its duties and strengthen public trust.

3.4 Transition from a rowing government to a steering government

The theory of New Public Administration holds that the functions of provision and production of public goods and services should be distinguished and the government should steer other than row. Involving a series of behaviors of collective choices, the provision of public goods and services should be arranged by the government through certain procedures. Different from the provision, the function of production can be taken either by the private sector or by the public sector, and competition should be encouraged between the two (Vincent Ostrom, Charles M.Tiebout and Robert Warren, 1961). The recent history of the world’s development shows that healthy governance relies on a combined force of the three wagons of the government, the market and NPO/NGOs. Either strengthening or weakening one of them does no good to the healthy development of modernization of a country. In this co-governance, the government plays the role of making policies, namely, steering and guiding, while the other two play the role of rowing.

In order to achieve lower administrative costs and higher efficiency, the Chinese government must separate the function of steering from rowing, that is to say, it bears responsibilities in decision-making, while it doesn’t necessarily have to produce public goods and services itself. According to Ronal J.Oakerson’s study, to distinguish between provision and production will provide various choices, including in-house production, coordinated production, joint production, intergovernmental contracting, private contracting, franchising and vouchering
Achievements and Tendencies of Administrative Reform in China

Moreover, it introduces quasi-market relationships and the competition mechanism in the production of public goods and services, and serves as a theoretical basis for the re-positioning of government functions. According to E.S. Savas’ study, the government acts as a manager and a producer and manages the production by means of government vending, intergovernmental agreements, contracts, franchises, grants, vouchers, voluntary services and self-services, giving the task of production to other public organizations, enterprises and NPO/NGOs (E.S. Savas, 2002).

3.5 Transition from a pyramidal government to a flat government

In the past, because of the low informationization and networking, middle levels are needed to promote communication of information and guarantee bureaucracy. The advancement of modern information technology improves the conditions of communication, making it possible to reduce administrative levels and to bring local governments closer to the grassroots. The new administrative reform in China should reduce local administrative levels from four to three to flatten the structure of local governance. The following methods are available: properly reducing the scale of provinces and establishing new provinces; reforming the system of subordinating counties to cities, dividing them from each other and entitling county governments to more decision-making power in administration and finance.

Properly reducing the scale of provinces means to divide a large province into several smaller ones, or to carve out some parts of different provinces to form a new one. Under the current administrative division, the provinces of Xinjiang, Inner Mongolia, Sichuan and so on cover a territory larger than some European countries such as Spain, France and Germany. The provinces of Henan, Shandong, and Sichuan and so on have a population of nearly 100 million. Governing such big provinces nearly equals to governing a big European country. With too vast a territory and too large a population, to sustain a rational range of management means to add new administrative levels, resulting in lower efficiency and higher costs. For instance, the Autonomous Region of Inner Mongolia covers several thousand kilometers from east to west, bringing much inconvenience to administration. If it were divided into the Eastern and Western Autonomous Regions, higher efficiency and lower costs could be achieved. Considering a rational range of management, China can increase its number of provinces from 34 to 50-60. Increasing the number of provinces can benefit in the following ways: First of all, the rational division of provinces according to geography, transportation and territory can help promote the coordination of administrative regions and economic regions; secondly, it helps to undermine local separatism; thirdly, it helps to narrow the range of management between provinces and counties so as to lay a foundation to reduce local administrative levels; fourthly, it helps bring province governments closer to the grassroots so that people can better participate in management.

Dividing cities and counties means that a city government exercises its power within the city. Apart from the city and suburban districts, counties are under the direct administration of the province government. So a city gains a legal position equal to a county and a county possesses direct power to administer public affairs within its own area and holds decision-making power in the local economic and social development. Under the system of subordinating counties to cities, when industry prospers to a certain level, the city doesn’t spontaneously help develop agriculture with its capital and technology, but would rather dedicate its investments to the infrastructure and the third industry to satisfy the consuming of luxuries and the needs of livelihood in a city, which actually widens instead of narrowing the gap between urban and rural areas. The division of cities and counties helps change the situation of the former grabbing from the latter and gives full scope to the enthusiasm of both. The local levels will be reduced from four to three, which means a 3-level system of province-county-township. Of
course, with the expansion of some metropolises, they can annex surrounding counties, turning them into districts of a city. With the development of economy and urbanization, some counties can be turned into cities. In implementing the division of cities and counties, the administrative levels of current cities and counties can remain temporarily so as to avoid great changes in personal interests of officials due to the changes of organization and personnel.

References:
2. LI Ya-biao etc. Regarding Public Wills or Interests. Xinhua Daily (Nanjing), 2006-03-05.

(Edited by Ivy Xie and Shirley Hu)