

## Development of Public Administration in China: Since 1978

Mao Shoulong  
(Draft)

Since the end of 1978, China's economy has developed very quickly because of the introducing of reform and opening up policy. Economic reform is the key source of this 30 year long development, however, successful administrative development is also one of the major factors. This short paper will review the basic economic and social contexts of administrative development, introduce the basic contents of administrative reforms, and oversight the current challenges and logic trends in the near future of administrative development in China.

### **Basic Economic and Social Contexts**

Before reform and opening up, China's economy was close to clash due to several decade political campaigns and class conflicts, in the mean time, the situation was also partly due to implementation of plan economy since 1949 when Chinese Communist Party (CCP) took the power and established People's Republic of China. Chinese society became a totalist society because of strict political control and unitization of the whole society where all people were controlled by their working units since then.

After the end of the Cultural Revolution, reformer within CCP, Deng Xiaoping became the real supreme leader in China. He initiated reform and opening up policy since the end of 1978 and China's economy has taken off since then. In 1978, GDP was just 568.98 billion yuan, but in 2007 GDP was 24661.9 billion yuan. Annual development rate of GDP has been almost 10% for 30 years. Just within this short term, Chinese people have moved out of starvation and lived a moderately prosperous living and stepped into the auto age. During the last three decades, China also has developed a primary market economy which has been the engine of continuous economic development so far.

Since the reform and opening up in 1978, there are also significant social changes in China accompanied with the development of a market economy. What is most important is that China's society has becoming more and more open. Individuals and families have been independent economic actors while their working units have become purely business units and do not control everything any more. Workers also move freely from rural to urban area and from one unit to another. Many people have got new chances to be rich with their own efforts. These changes provide impetus for economic development in China.

Economic and social changes require several government reforms including transforming government functions, restructuring government organizations, putting government conducts on law-based, and improving administrative accountability and efficiency etc.

### **Basic Aspects of Developments of Public Administration in China**

Since 1978, the official statement of the development of public administration is government reform or the administrative system reform. Its basic contents include institutional reform, transformation of government functions, administrative legal system building, openness of government information, reform of personnel system and administrative accountability. Here, let me discuss three subjects of them: Government function transformation, organization restructuring,

and law-based administration.

Transformation of government functions is the core of the administrative system reform in China. Its primary content is to handle the relationships between government and other aspects. The official statement is of four separations: separation of enterprise from administration, separation of capital from government, separation of public service units from government, and separation of intermediary market organization from government. Move all functions which the government should not manage out of it. Government is only in charge with what it should be in charge. Let market economy function as the fundamental factor in allocation of resources, let citizens and social organizations play major role in managing the society's public affairs and in the provision of public goods as well.

Chinese government functions have changed greatly during the last 30 years due to a series of reform, private enterprises have gained large-scale development, state-owned enterprises have also carried out market-oriented reformation, and got autonomy in management and marketing. The time when government departments directly handle enterprises has already been outdated. Public service units (Shiye Danwei) have also got independent decision-making power. The new relationships in market economy may have begun to be established gradually between public finance and state-owned assets, between the government and the bank. Intermediary market organizations have also gained very big development, and have begun to peel off out from the inside of the government and started to function for market economy.

Under the situation that market economy replaces plan economy basically in 2003, the Chinese government began to make clear the basic functions of government in market economy: Economic adjustment, marketplace supervision, social administration and public service. Economic adjustment wields economic measures and legal measures, and the use of administrative measures is restricted within necessary range. The function of market inspection and supervision means pushing fairness of business, providing access of market and carrying out safety inspection on the safety of product such as food and drugs, and the safety of production, such as transportation and mining. Social administration means that the government promotes employment, adjusts income distribution, establishes social security system and safeguards social stability. The public service function includes education, hygiene and culture services. The major task is to build up and improve a public service system that is of fairness and justice, and equal favoring all people at appropriate level. After 5 year effort, the government has primarily established a macro economic regulation system, marketplace inspection and supervision system, social administration system and public service system so far.

Transformation of government functions is consecutive process, and is closely relevant to many concrete reforms. Restructuring of government organization is not in consecutive process but happened once five years when the new government is organized by the election of National People's Congress. Since 1978, State Council has already carried out organizational reformation 6 times in total within last 30 years. There are three basic contents of the restructuring of government organization:

The first is to cut down the amount of ministries, administrations and bureaus of state council. The amount of government organs has decreased gradually after every organization reformation in the time of 1982, 1988, 1993, 1998, 2003 and 2008.

Secondly, according to the need of transformation of government functions, China government took efforts to optimize administrative framework of organization, to standardize

government organizational establishment, and to improve administrative operating mechanism. From government framework of organization aspect, the major point is to make the relationship smooth between the Commission of Development and Reform, the Ministry of Finance and the Central Bank; to integrate industry management system, such as the Ministry of industry and informatization, and the Ministry of transportation etc.; to improve energy resources and environmental management system; to improve the departments of marketplace supervision and public service.

Thirdly, temporary coordination agencies and consultancy agencies were controlled and the amount of this kind of agencies was also cut down.

Fourthly, strict control of administrative establishment has applied, a system of mutual restraint and mutual coordination among decision power, supervision power and implementation power is considering to establish.

The amount of government organizations was cut down radically during the reform, however, before 1998, it always expanded immediately after reform because the organizational downsize reform did not match the function change. After 1998, the quantity of organizations has been under control, administrative establishment has also been under control due to the development of market economy and government function change. After cutting down the branches which were directly relevant to plan economy in large scale in 1998, the basic framework of government organization has been established since then. The steps of Reformation in 2003 and 2008 were modest but went further by adjusting the macroeconomic regulation departments, integrating and straightening out the industry administrative departments, reinforcing the environment resource and marketplace oversight branches, strengthening at the same time the social management and the public service departments.

### **The Law-based Administration and Supervision-Review System**

Law-based administration is the inevitable demands of market economy. It is also the inevitable demand of democratic administration to establish an effective performance review system and administrative accountability system. The effort has been taken since 1978 but the emphasis has been attached since 2003.

The development of law-based administration in China means to replace rule of man with rule of law in government conduct. Power, function and personnel are managed by law and institutions rather than by man, the oversight mechanism is improved, the accountability system is strengthened, power begins to be matched to responsibility and to be under efficient supervision, any violation of law and institutions is probably punished. Administrative decision-making behavior began to be regulated, and decision-making mechanism is also improved gradually. Government legislation, administrative law enforcing system and procedure, administrative reconsideration, administration reparation and administration compensate system are also being improved in big steps.

Performance review and administrative accountability system became popular since 2003 in Chinese government. At local level, administrative performance review index system focusing on GDP is well established and contributed much to economic development in China but also to environment pollution. So the national government prefers to encourage an overall performance review system rather than focusing on economic development alone. Green GDP is advocated in this area. Administrative accountability focusing on administrative leaders was introduced in

SARS crisis in April 2003 when the minister of Health and the mayor of Beijing municipality were removed from their positions due to the failure of combating SARS. Now, the major attention for national government is to make accountability clear, to improve the accountability procedure, and strengthen the punishment of those failing to finish their responsibility and promote the implementation capacity.

The improvement of accountability system in public administration needs the improvement of the supervision system to administrative power. Chinese government now begins to take steps to pay attention to the supervision of Congress and its standing committee, and Political Consultative Conference's democratic supervision. The mutual oversight between higher-and lower-level authorities is under consideration though it is very difficult. The oversight bodies such as supervision and auditing departments began to fully play their role and every year auditing storm will happen in the end part of June when Auditing department submits their auditing report to Congress's Standing Committee. Government also begins to conscientiously accept oversight by all sectors of society including media and public opinion. The openness and transparency of government information has been significantly advanced because of the implementation of The Openness of Government Information Regulation since May 1, 2008 and also due to 2008 Olympic game in Beijing. The major development is that government begins to consider the protection of citizen's right of information, participation, expression and supervision. Previously the government seldom talks about the power of government and the rights of citizens.

By efforts made for last 30 years, the Chinese government has built administrative legal institutions system, administrative procedure law is also in the process of drafting. Administrative accountability and performance review system are starting to function though they are still at primary stage. The situation is improved gradually though the supervisions at all sectors are still too weak to check administrative power. In these years, the power of public opinion especially from citizens has shown its strength in oversight of the government conducts.

### **Current Challenges and Reform Trends in Near Future**

Economic reform has lasted 30 years and government reform has also lasted 30 years in China and they are twins in reality. Generally, basic subjects of government reform for China are similar to major countries in the world since the end of 1970. So the process of development in public administration in China is also the process of learning from other countries. Of course, specific contents are different from developed countries and many developing countries because China is still a developing country and China's economic system is still in process of transforming from plan economy to market economy.

To government reform in China, the first challenge comes from unfinished economic reform and social reform. So far the separation between government and State owned enterprises (SOEs) has not finished. State Council still has a special commission: State-owned Assets Supervision and Administration Commission which is not a ministry of State Council but at the same level of Ministry under its leadership are 152 SOEs. In plan economy, the profit of SOEs is the major part of government finance but in market economy the profit can not be naturally a part of government revenues. It is very difficult to cope with the big amount of SOEs' profit: in 2007 it's 1600 billion yuan consisting almost one third of total tax for the whole country. Some departments of government still have profitable business such as renting out office buildings or running some

hotels in the name of office building etc. Public service units (Shiye Danwei) still are under control of government departments. Many market intermediate organizations are also under control of government departments. Local governments are active in giving special offers to attract businessmen to invest. Leading economic development still is their major role. Market mechanism functions well in the sphere of many resources especially in consuming good. But for land and environment resources, government still plays as major role. Serious challenges remain and major task for next two decades is how to promote government function transformation, to cope with the relationships between government and market, SOEs, public service units and market intermediate organizations, to limit government power and let market function with full power.

With regard to organizational reforms, the mission is very difficult to complete without full transformation of government functions from plan friendly to market friendly. It still needs gradual promotion of economic reform, to restructure government's industrial ministries. For the next step of organizational reform, the key point is on public service unit reform. Without significant achievements of public service unit reform, it is impossible to cut ministries in order to reduce the amount of government organizations. It is also important to enforce local self-government and let local governments not be State Council's ministries but be local governments themselves. These reforms are the foundations of successful organizational reforms. Of course, organization reform can also provide organizational foundations to facilitate these reforms.

About law-based government (government of law), the key point is to spread the idea that government itself also needs to abide by law. The major efforts will focus on the improvement of administrative legislation, to improve and make constitution and organic laws active, to improve administrative litigation system, and to enact administrative process law etc.

About administration accountability and supervision system, the key challenges are that the accountability is with very big arbitrariness and artificial color and very strong storm color, not institutionalized, not detailed, short of real responsibility. Responsibility are per se comparatively blurred, are not subdivided in details, and insufficient in check mechanism and procedure.

The major problem of supervision system is the symmetrical characteristic between the supervisors and the supervised, the supervisors are short of strength, the supervised are too powerful to check. The effect of supervision depends on the voluntary acceptance of the supervised now. The key point is to carry out political restructuring and to let supervisors full of strength to cover this problem.

## Conclusions

The centralization of administration system in China has a tradition of more than 2000 years. This system is beneficial to centralization of state power , plan economy, to mobilizing manpower and resource to concentrate on the simple, extremely urgent problem, but not beneficial to handling concrete affairs, to building market economy , to coping with the complicated , long-term problem, or neither beneficial to stable sustainable development. Once with the dearth of the control resources to maintain the politically centralized system, the whole state will be caught in breakdown.

The reform since 1978 has broken this antiquated logic. Given the strict control of politics,

due to economic and government reforms, many new spaces for liberty and development have appeared. Government's function marches from the need adapting to planned economy to the need adapting to market economy step by step. Chinese government has cut many ministries of plan economy, adapted some ministries and also established some new ministries according to the needs of market economy, and controlled the organizational size of government.

In government behavior, Chinese government has worked out some fundamental laws and institutions ruling what the law-based government requires step by step, and has established the basis of the government of law. Lately, Chinese government emphasizes new efforts to strengthen media and public opinion supervisions, and especially takes network public opinion seriously, and has arrived at the important effect to realize civil right of information, right of participation , right of expression and right of supervision.

Ought to say, this course is still on going. Many developments are still preliminary. It's the fundamental experience to improve gradually in many ways to ensure economic growth , harmonious society, stable politics and effective government. It is also the key factor to continue sustainable developing over the coming 20 years, even longer time.