

# The Evolution of the Chinese Administrative Examination & Approval System: Reasonable or Unreasonable?

—Based on Statistical Analysis of Network News Keywords about nine Typical Samples

**Abstract:** A frequency analysis of network-news reports about nine samples of the Chinese Administrative Examination & Approval System (CAEAS) reform, including Beijing, Tianjin, Gansu, Shanxi, Chengdu, Ningbo, Shanghai Pudong district, Chengdu Wuhou district and Guangdong Shunde district, was performed. This research revealed that the unique evolutionary characteristics of CAEAS are efficiency oriented, government led, top-down, mandatory compliance style, incremental, and lack of civic engagement and social supervision. The CAEAS reform has streamlined and downsized government functions, improved administrative efficiency and liberated the market. However, some contradictory phenomena, such as the efficiency paradox i.e. pursuit of efficiency and the efficiency trap, administrative route superior to the rule of law, administration separated from the government power-list, service-oriented but low level of public participation, government self-revolution and sector interests' resistance, are intertwined to influence governance capability, although the threat of the middle-income trap emphasizes the necessity of good governance. Whether the evolution of CAEAS is reasonable or unreasonable? The answer is different in different conditions.

**Key words:** Chinese Administrative Examination & Approval System (CAEAS), Network News Text, Administrative Efficiency, Contradictory Phenomenon, Governance Capability, Middle-Income Trap

## 1. Introduction

Economic growth and social development depend on capital investment and consumption levels but may also be hampered by resource allocation institutions. Meier et al. proposed that the right institutions made greater contributions to economic growth than the right policies (*Meier, 2001*). As a system arrangement of the operation of government power, the Chinese Administrative Examination & Approval System (CAEAS) aims to overcome market failures, coordinate market order, balance ecology and protect natural resources. However, behind CAEAS, based on governmental authority, lurks the risk of the abuse of power of administrative examination and approval. This risk will not only lead to administrative inefficiency, but the more serious problem is to deflect governance ability and endanger further economic growth and social development.

This type of risk became a worldwide reality in the 1970s. Guided by the successful experiences of the Thatcher-Reagan Revolution in the United States and the United Kingdom, many developed countries began large-scale public-sector reforms symbolized by Self-Revolution of Administrative Examination & Approval Power. The mainstream approach was deregulation, which means to reduce government intervention in the market and encourage competition in the public sector.

During the same period, China embarked on administrative examination and approval system reform, attempting to reduce the matters that require government approval, to standardize approval procedures and to set approval times. From 2002 to 2014, China's central government abolished, adjusted or authorized approximately 2857 items of Administrative Examination & Approval, and

the number at the local government level reached more than 15000. These changes significantly improved the Chinese government's effectiveness and also promoted the vitality of the market and society. As a result, China successfully transitioned from a low-income economy to an upper-middle-income economy.

Then, some questions arose. First, could the CAEAS reform help to modernize China's governance system and capability? Second, would CAEAS reform further drive China to become a higher-income economy?

According to the Worldwide Governance Indicators, governance capability systems consist at least of government effectiveness, the control of corruption, regulatory quality and the rule of law.<sup>①</sup> An empirical study shows that there are strong correlations between "governance capabilities" and "economic output" at higher-income stages (*Zhang H. & Wang Y.Q., 2013*). This conclusion means that China must make a point to fight against corruption, to promote quality supervision and to improve the level of the rule of law in the future, in addition to continuing to improve government efficiency.

In this context, it is important to retrospectively track the evolution of China's administrative examination and approval system. The statistical analysis of network news keywords about nine typical samples shows that the whole evolutionary tracking of CAEAS is strongly government-led. Generally, the reform of CAEAS is obviously efficiency-oriented, and the aim is to constrain administrative discretion with some type of compliance-style enforcement, which may fall into an efficiency trap and become unable to improve governance capability. The important components of good governance such as responsibility, transparency, civic engagement and social supervision, are emerging increasingly since 2011. But the attention to the rule of law which the key factor of good governance fluctuates all the time, some time to rise and other times downwards sharply. Further analysis shows that some contradictory phenomena like administrative route superior to the rule of law, administration separated from the government power-list, service-oriented but low level of public participation, are also widespread in China during the administration process.

The answer of the problem whether CAEAS reform could help to modernize China's governance ability is partly hidden in the perception of those characteristics and phenomena mentioned above. In addition, the perception is helpful for other countries to understand the Chinese government process, the relationship between Central Government and local governments at different levels and the embarrassment of CAEAS reform because of the more intensive resistance of department interests. At any rate, it is difficult to judge the whole evolutionary tracking of CAEAS with unambiguous description like reasonable or unreasonable.

## 2. Literature Review

CAEAS reform began in 1978. The direction and path were restricted by objective conditions at the time. As a method of governmental authority operations, CAEAS lacked a legal basis for many years until the Administrative License Law of the People's Republic of China (ALL) was established in 2003. The aim of ALL was to standardize government-approval behaviors and avoid excessive government tampering with the market (*Zhang Zhaoxia, 2004; Zou Dongsheng,*

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<sup>①</sup> The Worldwide Governance Indicators (WGI) consists of six dimensions of governance: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. More details see <http://info.worldbank.org/governance/wgi/index.aspx#home>

2005).

Unfortunately, the concept separation between *administrative approval* and *administrative license* resulted in a new concept named *non-licensing administrative approval* (Wang Kewen, 2007) which led to some standardization concerns about the *administrative discretion*. Many scholars advocated maximizing the use of ALL to regulate the power of administrative approval (Wei Qiong, 2013). However, the non-licensing administrative approval has not been well-standardized because of the operation of administrative discretion.

Some researchers concluded that it was possible to solve this problem by redefining administrative approval rights and reengineering or standardizing administrative approval procedures (Chen Tianxiang, Hu Jing, 2014). The efficiency-oriented logic to reform CAEAS was established following these findings. Terms such as Entrepreneurial-Government, Efficient-Government, Limited-Government or Seamless-Government are other descriptions of the logic in different contexts. To construct an Administrative Service Center (ASC) or Public Affairs Hall (PAH) meant centralizing administrative approval, which became mainstream during the process of CAEAS reform (Zhu Xinyu, Huang Yuyin, 2013), though there were some different emphases on the approval catalogue, standardized index or green-light approval mechanisms according to different local governments (Wang Jianing, Luo Chongpu, 2013).

At the same time, some reflective and critical studies emerged, arguing that the existing CAEAS reform was largely radical, a sensationalized campaign focused on approval reduction (Zhao Huiyang, 2004). To some extent, approval reduction was considered a target task, a numbers game, such as a division one approval affair to some, and the liquidation of unimportant approval rights, etc., occurred (Ai Lin, Wang Gang, 2014). Some scholars suggested that the original intention of reform should be guaranteed through procedure rationality, which is measured by engagement, transparency and centralization (Zhu Xinli, Shi Xiaoxue, 2013). The research group of the Chinese Public Administrative Society (CPAS) proposed to unify a standard approval procedure and make it transparent, to compress the scope of administrative discretion, and to create conditions for civic supervision and accountability system (CPAS, 2014).

Generally, CAEAS has operated without standard for a long time. The mind habit of government authority was the direct result. To reform CAEAS means not only to combat this habit but also to confront the barriers caused by the non-licensing administrative approval and the administrative discretion derived from the ALL exercise. Based on the efficiency perspective, most researchers selected case studies to discuss the abrogation or adjustment of approval affairs coordinated with the construction of ASCs and One-stop Service. However, these studies essentially ignored the impact correlated with the rule of defects, the mind inertia of government power, the lack of transparency and social supervision on CAEAS reform.

A few scholars have attempted to discuss the institutional changes and historical logic of CAEAS from historic and economic perspectives. For instance, based on a historical institutional analysis paradigm, Lv showed that the national institutional environment and political variables decided the choices and arrangement of CAEAS; however, the situation would not always be that way because historical veto points would emerge with institutional change, and the efficiency would be improved when a new equilibrium of AEAS was reached (Lv Pengsheng, 2007). This type of research does not exceed the Efficiency Paradigm.

Thus all above studies were guided by the pursuit of administrative efficiency which was more

unrelated to the essence of AEAS, and ignored other factors which should have influenced the CAEAS reform and its effects.

This study uses the content analysis method to reinterpret the evolutionary tracking of CAEAS. The aim is to explore the evolutionary characteristics of CAEAS. And some contradictory phenomena were unearthed. It will be sensible to understand the rationality and necessity of these contradictions in the process of reform at this stage though it will be unreasonable in the long run.

### 3. Data Collection

The research method begins with keyword selection. The first keyword is Administrative Examination & Approval System reform (AEAS reform). Some samples of CAEAS reform at provincial-, municipal- and county-level governments are selected after the China National Knowledge Infrastructure (CNKI) database retrieval with the first keyword. Eventually, nine typical samples are selected according to the research depth and extent. These nine samples include Beijing, Tianjin, Gansu, Shanxi, Chengdu, Pudong district, Wuhou district, Ningbo city and Shunde County. Then, <http://info.search.news.cn/> is used as the data source. With the second keyword composed of AEAS reform and Prefecture, a full-text search of all network news reports was conducted from 23:00 to 24:00 on Nov.8<sup>th</sup> 2014. The first related report is *Shanghai is doing difference in AEAS: from Athlete to Referee* on August 7<sup>th</sup> 2001. <sup>①</sup>From this date to the retrieval time, approximately 4975 network news reports were obtained (Table 1).

Table 1: Searching results about “Examination & Approval System reform + area” in Xinhua.net

| Prefecture | News reports | Areas       | News reports | Areas           | News reports |
|------------|--------------|-------------|--------------|-----------------|--------------|
| Beijing    | 2208         | Shanxi      | 416          | Podong Destrict | 406          |
| Tianjin    | 614          | Chengdu     | 378          | Wuhou Destrict  | 19           |
| Gansu      | 290          | Ningbo City | 199          | Shunde County   | 445          |

Based on the analysis of the return interface of news retrieval, the webpage format standardization of <http://info.search.news.cn/> is sufficient. It is possible to extract each news URL, title, website, release time and description, etc., using a string segmentation method. As a result, it is unquestionable to use the news URL to visit and download the news webpage. However, part of the related news has been deleted by the Xinhua website. Compared to the time of retrieval interface to the time of news page, some errors, such as incorrect news release times, have been rectified. Ultimately, 4349 effective news reports were obtained, the effective rate is 87.4%, and the deleted news was processed with an empty string. Figure 1 shows the data acquisition and processing method.

Specifically, in the aspect of extraction and selection, a java program was used to download the webpage through URL and process the key words extracted from the news reports text; 67819 words were obtained. The total word frequency is 4,699,933, which shows an obvious power-law distribution and the totality of the words with a frequency above 50 makes up 90 percent of the total (Figure 1). According to the descending order of frequency, 106 words with high frequency, i.e., words that appeared more than 50 times emerged as secondary words and could be divided into 12 categories of primary words (Table 2).

<sup>①</sup> See <http://news.xinhuanet.com/news/20010807/767707A.htm>

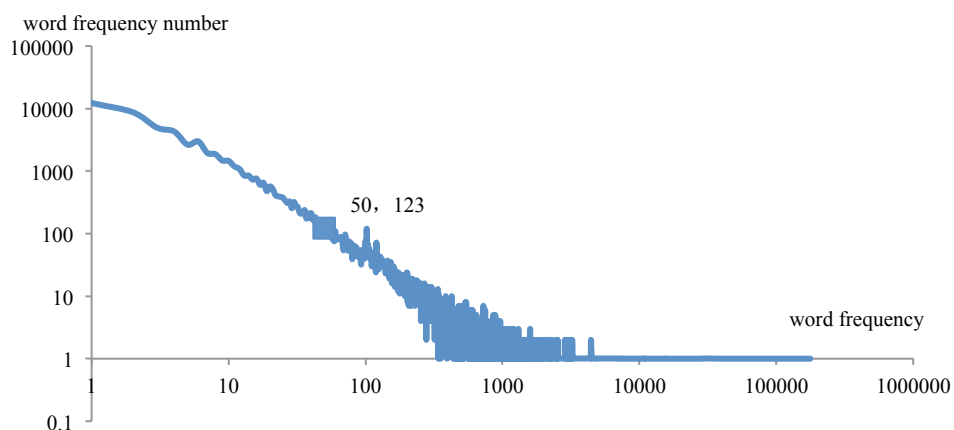


Figure 1: The distribution of word processing

Table 2: 12 categories of primary words and 106 secondary words related with CAEAS reform

| Primary Words                                      | Secondary Words          | Primary Words                      | Secondary Words           | Primary Words               | Secondary Words                    | Primary Words             | Secondary Words                  |
|--|--------------------------|------------------------------------|---------------------------|-----------------------------|------------------------------------|---------------------------|----------------------------------|
| <b>Abrogating Affairs and Reorganizing Process</b> | Abrogate                 | <b>Application of E-government</b> | Network                   | <b>Market</b>               | The Market                         | <b>Rule of Law</b>        | Legislation                      |
|  | Reduce                   |                                    | Online                    |                             | Marketization                      |                           | Rule of Law                      |
|  | Clean                    |                                    | Electronic                |                             | Market Economy                     |                           | Rule by Law                      |
|  | Cut down                 |                                    | Information-based         |                             | Market Environment                 |                           | Law                              |
|  | Shrink                   |                                    | Internet                  |                             | Market Mechanism                   |                           | Administration by Law            |
|  | Streamline               |                                    | Surf the Internet         |                             | Market Entry                       |                           | According to Law                 |
|  | Combination              |                                    | Networking                |                             | Market System                      |                           | Judicial                         |
|  | Integration              |                                    | E-Information             |                             | Market Order                       |                           | Regulations                      |
|  | Central                  |                                    | E-government              |                             | Market Competition                 |                           | Law of Administration Permission |
|  | Simplify                 |                                    | <b>Efficiency</b>         |                             | Efficiency                         |                           | Market Access                    |
|  | Parallel                 | Conduction Efficiency              |                           |                             | Conditions of Entry                |                           | Proper Law Basis                 |
|  | Coordination             | Working Efficiency                 |                           |                             | Competition System                 |                           | Administrative Law               |
|  | Joint                    | Administrative Efficiency          |                           |                             | Registration                       |                           | Transparence                     |
|  | One-Stop                 | High-Efficiency                    |                           |                             | Industry and Commerce Registration |                           | Transparency                     |
|  | Service Center           | Speed up                           |                           |                             | Put on Record                      |                           | Transparent                      |
| <b>Responsibility System</b>                       | Standard                 | <b>Transition of Functions</b>     | Government Functions      | <b>Social Participation</b> | Record System                      | <b>Social Supervision</b> | Satisfaction                     |
|  | Standardize              |                                    | Transition of Functions   |                             | Social Organization                |                           | Social Supervision               |
|  | Responsibility           |                                    | Government Streamline     |                             | Intermediary                       |                           | Political participation          |
|  | Responsibility System    |                                    | Delegate                  |                             | Intermediary Organization          |                           | Public Opinion                   |
|  | Power and Responsibility |                                    | Governance                |                             | Intermediary Institution           |                           | Social Supervision System        |
|  | Legal Liability          |                                    | Decentralization          |                             | Trade Association                  |                           | Social Supervision Institution   |
|  | Accountability           |                                    | Devolution of Power       |                             | Social Public                      |                           | Public Supervision               |
| <b>Supplementary Measure</b>                       | Supervision              | <b>Executive Power constraint</b>  | Approval Power            | <b>Service</b>              | Service                            |                           | Service Program                  |
|  | Supplementary Reform     |                                    | Administrative Power      |                             | Service-oriented                   |                           | Service Quality                  |
|  | Regulation               |                                    | Supervision Power         |                             | Service Level                      |                           | Convenience Services             |
|  | Monitor                  |                                    | Public Power              |                             | Service System                     |                           | --                               |
|  | Check                    |                                    | Administrative Discretion |                             | Service Network                    |                           | --                               |

Note: There are various formulations of one issue in the usage of Chinese. Some keywords in the text are similar which made it difficult to translate each word from Chinese to English. The method of different English words to express the same meaning was tried. For example, in the category of Abrogating Affairs and Reorganizing Process,

*abrogate, reduce, clean, cut down* all mean the actions to reduce administrative examination & approval affairs.

Combined with news content analysis, more accurate statistical analyses of 106 word frequencies for each news report have been performed. Take the word *Service* as an example; such words as service facility, service sector, service agency, service occupation or service company were eliminated in order to clarify the text content of the words and, as much as possible, to reflect the connotation of public service. Those words are separately listed in the statistical analysis, including service-oriented, service level, service system, service website, service item, convenient service and service quality, which were related words. The result is the real meaning of the word service. Other key words, such as market and rule of law, were processed in the same way.

Furthermore, to better extract the theme of each news text, this research proscribed that if a type of secondary word belonging to a type of category appears more than three times in one news report, it would be coded as 1 to show that the theme was contained and 0 otherwise, which means this news report did not reflect the theme. The numbers of secondary words would be added up to account for the number of primary words in each category. Table 3 shows the statistical results of the news texts in which the primary words are reflected. Figure 2 displays the trend in primary words about CAEAS reform. The statistical results of secondary words, such as abolition of examination, approval affair, realignment of process, social supervision, civic engagement, rule of law, etc., are presented in the analysis and discussion section.

Table 3: The statistical results of news texts in which the primary words are reflected: 12 categories

|      | Abolition of examination & approval affair and realignment of process | IT Application | Market | Efficiency | Service | Responsibility/Accountability |
|------|---|----------------|--------|------------|---------|-------------------------------|
| 2001 | 0   | 0              | 0      | 0          | 0       | 0                             |
| 2002 | 0   | 0              | 0      | 0          | 0       | 0                             |
| 2003 | 0   | 0              | 0      | 0          | 0       | 0                             |
| 2004 | 0   | 0              | 0      | 0          | 0       | 0                             |
| 2005 | 7   | 6              | 4      | 6          | 7       | 4                             |
| 2006 | 13  | 8              | 12     | 5          | 7       | 14                            |
| 2007 | 13  | 8              | 11     | 9          | 11      | 11                            |
| 2008 | 16  | 6              | 23     | 11         | 16      | 20                            |
| 2009 | 38  | 38             | 37     | 26         | 37      | 27                            |
| 2010 | 57  | 50             | 62     | 37         | 47      | 32                            |
| 2011 | 76  | 62             | 50     | 53         | 72      | 59                            |
| 2012 | 389   | 357            | 423    | 331        | 379     | 288                           |
| 2013 | 538   | 204            | 430    | 248        | 395     | 313                           |
| 2014 | 2379  | 1301           | 1944   | 1276       | 1581    | 1460                          |

Table 3: The statistical results of news texts in which the primary words are reflected: 12 categories (continued)

|      | Supplementary Measures | Executive Power constraint | Function transition | Rules of Law | Social supervision | Civic engagement |
|------|------------------------|----------------------------|---------------------|--------------|--------------------|------------------|
| 2001 | 0                      | 0                          | 0                   | 0            | 0                  | 0                |
| 2002 | 0                      | 0                          | 0                   | 0            | 0                  | 0                |
| 2003 | 0                      | 0                          | 0                   | 0            | 0                  | 0                |
| 2004 | 0                      | 0                          | 0                   | 0            | 0                  | 0                |
| 2005 | 4                      | 0                          | 2                   | 6            | 2                  | 2                |
| 2006 | 6                      | 0                          | 10                  | 11           | 2                  | 0                |
| 2007 | 12                     | 5                          | 11                  | 15           | 4                  | 5                |
| 2008 | 11                     | 3                          | 14                  | 28           | 7                  | 6                |
| 2009 | 21                     | 5                          | 15                  | 45           | 8                  | 3                |
| 2010 | 35                     | 38                         | 32                  | 47           | 33                 | 3                |
| 2011 | 40                     | 33                         | 29                  | 44           | 14                 | 6                |
| 2012 | 239                    | 131                        | 219                 | 328          | 37                 | 63               |
| 2013 | 225                    | 169                        | 345                 | 357          | 53                 | 96               |
| 2014 | 1151                   | 572                        | 1573                | 1553         | 276                | 348              |

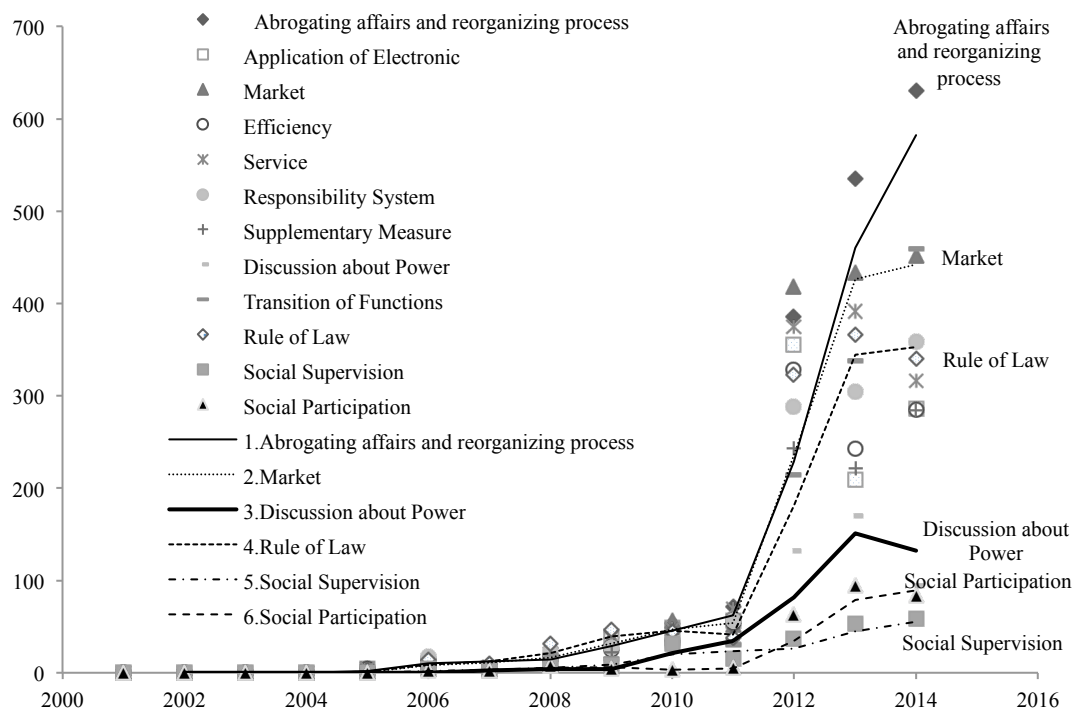


Figure 2: The trend of primary words frequency about CAEAS reform news texts

#### 4. Data Analysis and Discussion

The text analysis and primary words frequency statistics of Xinhua news reports during 2001-2014 on nine typical samples of CAEAS clearly demonstrated that there were some obvious characteristics in the evolutionary process of CAEAS. Further analysis revealed that there were some contradictions, such as efficiency pursuit and efficiency trap, government self-revolution and sectors interests' resistance etc. Those characters and contradictions have been strangely integrated through intertwined throughout the whole reform process. To interpret them is a key to understand the rationality or irrationality of the evolution of CAEAS.

##### 4.1 Unique characteristics of CAEAS reform

###### a. Significant efficiency improvement orientation of administrative examination & approval

In the texts of news reports about nine typical samples, the primary word, namely, *abolition of examination & approval affair and realignment of examination & approval process* and the secondary words including *streamline, combination, one stop service, all in one service, workshop, service center, joint examination & approval, parallel examination & approval, register system, power list or negative list for examination & approval, and green channel of examination & approval, etc.*, occupied a significant proportion (Figure 3). These statistical results reflect that China's governments, at different levels, have problems to resolve, such as lack of coordination, overlapped functions and buck-passing in different departments. Officially, China's AEAS reform has an outstanding efficiency-improvement orientation.

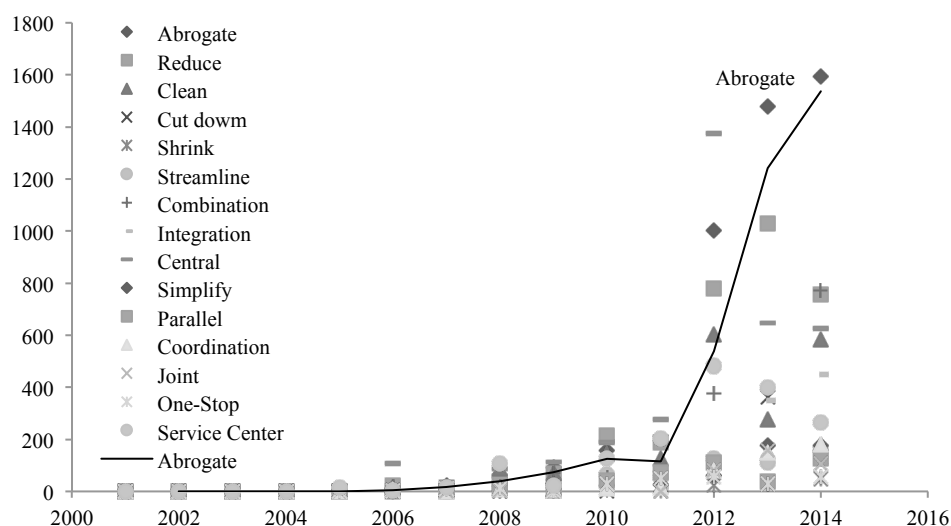


Figure 3: The frequency of secondary words, namely, *abolition of affairs* and *reduction of approval process*

**b. Government-led top-down mandatory and compliance-style**

From the time nodes of 2001, 2002 and 2011, where primary words had obvious changes (Figure 2), the evolution of CAEAS was mostly government-led and top-down mandatory, especially with the authority of China’s Central Government orientation. In 2001, the Leading Group of the State Council for administrative examination and approval system reform was founded in accordance with *The Notice on the establishment of the State Council Leading Group for the reform of the administrative examination and approval (No.[2001]71)*. In 2002, the Leading Group of the State Council put forward a series of requirements, including the intent to reduce administrative examination and approval items by one-third, to compress the approval process and to shorten the approval deadline. In November 2011, the Leading Group of the State Council held a videophone conference about advancing the CAEAS reforms and emphasized the need to deepen the reforms to promote the transformation of government function.

From the beginning of 2002, the State Council has abrogated, decentralized or adjusted 2857 administrative examinations and approval affairs in at least 11 batches (Table 4). Accordingly, local governments at different levels followed the step and rhythm of their superiors to abrogate, decentralize or adjust the approval affairs at the corresponding levels. Additionally, they would undertake those affairs decentralized by higher levels of government. To some extent, it had the strong characteristics of compliance style, whose benefit was to have immediate effect. This evolutionary process of CAEAS was consistent with China’s government organization structure. However, differences in government functions at different levels and differences in the environment in different administrative areas were considered less.

Table 4: The abrogation, devolution or adjustment of approval affairs of the State Council: 2001-2014

| Batch | Time       | Document      | Number | Remarks                                 |
|-------|------------|---------------|--------|---|
| 1     | Nov. 2002  | No. (2002) 24 | 789    | Abrogated 789                           |
| 2     | Feb. 2003  | No. (2003) 5  | 488    | Abrogated 406, changed 82               |
| 3     | May 2004   | No. (2004) 16 | 470    | Abrogated 385, changed 39, delegated 46 |
| 4     | Oct. 2007  | No. (2007) 33 | 186    | Abrogated 128, adjusted 58              |
| 5     | Apr. 2010  | No. (2010) 21 | 184    | Abrogated 113, delegated 7              |
| 6     | Sept. 2012 | No. (2012) 52 | 314    | Abrogated 171, adjusted 143             |
| 7     | May 2013   | No. (2013) 19 | 117    | Abrogated 71, delegated 20, others 26   |
| 8     | Jul. 2013  | No. (2013) 27 | 50     | Abrogated 28, delegated 22              |



|       |           |               |      |   |
|-------|-----------|---------------|------|---|
| 9     | Dec. 2013 | No. (2013) 44 | 82   | Abrogated 54, delegated 28              |
| 10    | Feb. 2014 | No. (2014) 5  | 82   | Abrogated 59, delegated 23              |
| 11    | Aug. 2014 | No. (2014) 27 | 95   | Abrogated 47, delegated 17, adjusted 31 |
| Total |           |               | 2857 |   |

\*Note: Information comes from Portal Website of the Central Government, <http://spgk.scoprs.gov.cn/>.

**c. Incremental reform to restrain Administrative Discretion, whose resistance is more intensive**

Generally, local governments at different levels and different agencies implemented a point-to-whole and shallow-to-deep incremental reform pattern to restrain the Administrative Discretion. The overall tone was a response to the requirements of the State Council. During the period of 2002 to 2014, the State Council had abolished or abrogated or adjusted 2857 administrative examination and approval affairs. The whole process was divided into 11 batches. Local governments and different agencies followed this type of pace of reform and advanced to downsize the government, to reduce the approval affairs, and to standardize the approval procedures and other field reforms step by step.

For example, in Shanghai Pudong District, the examination and approval affairs were simplified from 724 to 242 and the approval time was shortened to 8.4 workdays. The whole reform process has gone through 12 years and six batches to complete during 2001-2013.

The specificity of incremental reform is usually trying to avoid engaging in evoking the core interests of government sectors. In a short period of time, the advantage of this type of reform is helpful for reducing the resistance of change and shaping the reform atmosphere. However, there is also some type of serious disadvantage once the reform hits the existing core interests' pattern of government sectors. The statistical results of secondary word frequencies show that the word frequency of *administrative discretion* in the category of executive power discussion from news texts declines and fluctuates after 2012 (Figure 4).

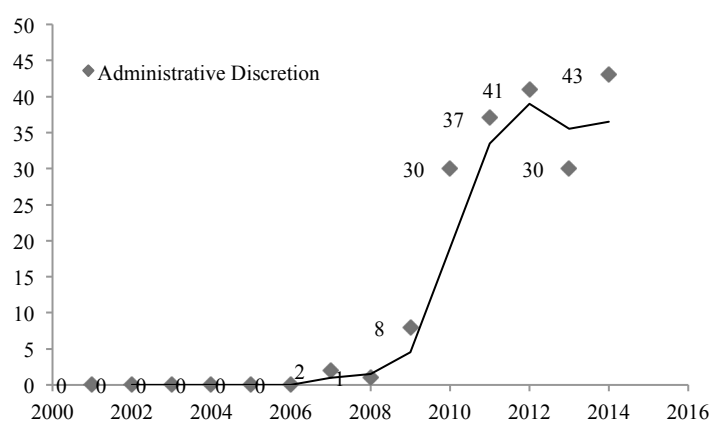


Fig 4: The frequency of secondary word named *Administrative Discretion*

This curve change means that there is some degree of resistance from sectors, which would be increased, leading to some strange phenomena, such as formality and number-oriented (*Ai Lin, Wang Gang, 2014*), and even pushing the reform back. *Wei Liqun (2015)* noted that the local government or sectors' interests are becoming the largest obstacle to reform the administrative examination and approval system.

**d. Lack of civic engagement, social supervision and transparency**

Compared to the high word frequencies of devolution or abrogation of affairs and streamlined approval process, the word frequencies about *social participation* or *social supervision*, *transparency*, *public satisfaction* and *social organization* are obviously low and volatile (Figure 2, figure 5). Obviously, the CAEAS reform from 2001 to 2014 was about lack of civic engagement and social supervision. It was generally guided by the CAEAS Reform Leading Group and documents from China’s Central Government.<sup>①</sup> Some local governments without legislative authority advanced reform based on Pilot Reform which belongs to the special instructions from the Central Government (*China Administration Society, 2014*). In this context, the so-called government self-revolution of the AEAS reform has almost nothing to do with the public. The process was far from transparent, and the popular satisfaction has been relatively low (Figure 2). It is clearly contrary to the original intention of the reform.

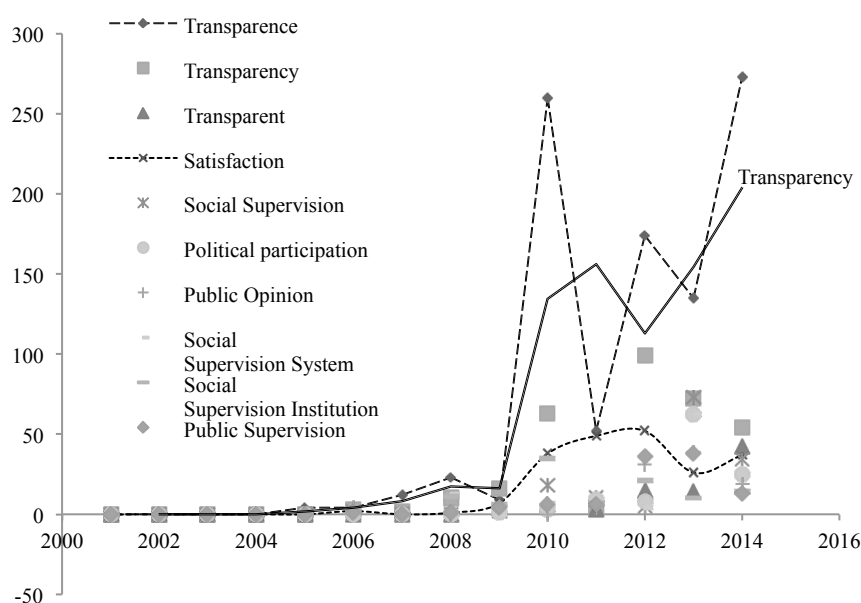


Figure 5: The word frequencies of secondary words belonging to *Social Supervision and Transparency*

**e. New change emerges in 2011 or so**

Further content analysis of news texts and word frequencies of primary words and secondary words reveals that there has been a significant growth in frequencies of words such as *rule of law*, *supplementary measure*, *public service* and *responsibility* since 2011 (Figure 6). Specifically, the word frequency of *rule of law* began an upward trend in 2006, fluctuated from 2006 to 2012 and decreased obviously after 2013. The curve for the word frequency of *social participation* shows an obvious increase in 2011, and the word frequency of *social supervision* has slightly increased since 2012.

Compared with the upward extent of word frequency of *abolition of affairs* or *realignment functions*, the upward change in the word frequency of *social participation* and *social supervision*

<sup>①</sup> Examples: On November 14, 2011, the Central Government held a videophone conference about advancing the CAEAS reform and emphasized activating the function of market. On November 9-12, 2013, *The Decision on Major Issues Concerning Comprehensively Deepening Reforms* from the CPC Central Committee emphasized further streamlining the administration and delegating more power to lower levels. On October 28, 2014, *The Decision on Major Issues Concerning Comprehensively Promoting the Rule of Law* from the CPC Central Committee emphasized the great significant of ruling by law.

is moderate. Still, this type of change with the obvious increase in word frequency of *rule of law* reveals that a new trend of CAEAS reform emerges in the year of 2011 or so. The other evidence is the upward frequency of secondary words related to *administrative function transition* (Figure 7). To some extent, administrative discretion control, government function transformation and decentralization seem to become the focus of future reform of CAEAS. The aim of reform appears to be a glimmer of change from pursuit of government-efficiency improvement to pursuit of good-governance although the reform content referred to the devolution of power has been relatively less.

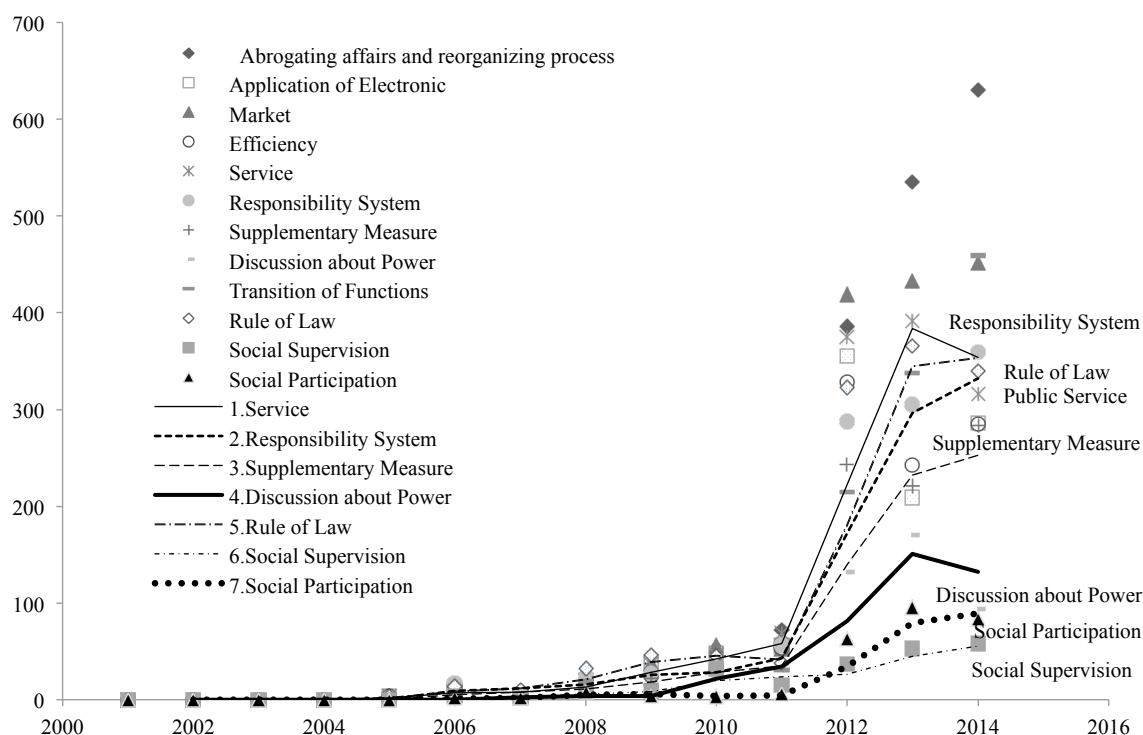


Figure 6: New trend of word frequencies of primary words related to *Responsibility, Rule of Law, and Social Participation* etc.

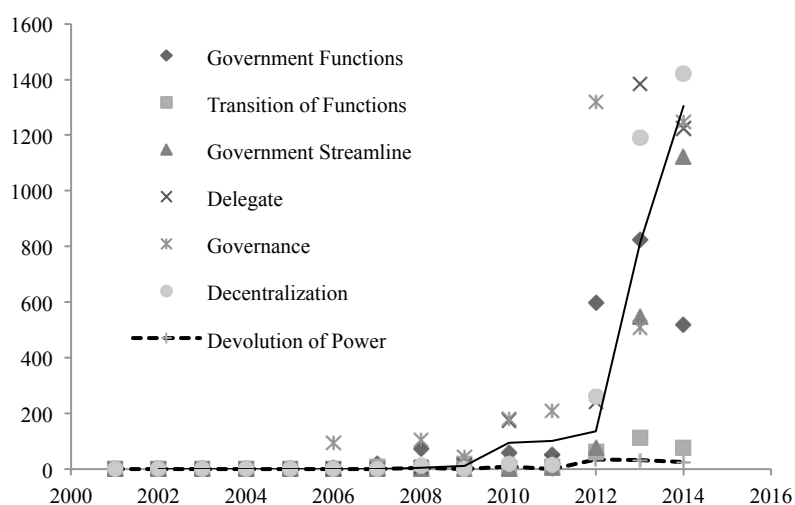


Figure 7: The frequency change of word related to *Administrative Functions Transition*

After all, the essence of AEAS is to make up for market failures in the allocation of resources, resulting in a more efficient allocation of resources. If AEAS itself impedes the realization of this

mission, there is a risk of government failure. It is necessary to clarify government functions and the boundary between the government and the market or between the government and society.

## **4.2 Contradictions in the evolutionary tracking of CAEAS**

The CAEAS reform has downsized and streamlined government functions, improved administrative efficiency and liberated the market. However, there have been some contradictions, such as efficiency paradox, power list and power unfettered, the rule of law and government actions beyond the law, and government self-revolution and sectors interests' resistance in the evolution. With the reform advanced, these contradictions have been becoming increasingly serious and intertwined with each other, and might endanger the further reform of Chinese Administrative Approval and Examination System.

### **a. Administrative efficiency paradox intensified by low level of civic engagement**

Efficiency paradox is a vivid description of efficiency pursuit leading to an efficiency trap which means the efficiency tools have been transformed to be the efficiency itself, and the procedure is more important than substance of the reform.

In essence, the primary objectives of AEAS reform are to restrict administrative discretion, to promote the transition of government functions, and to eliminate the mechanistic obstacles in the process of economic and the social development. The difficult problem of the restriction of administrative discretion originates in the information asymmetry between the approval departments and administrative counterparts, and the complicated administrative process and procedures bear some of the blame. It is necessary to abrogate, delegate or adjust some existing but not compatible approval affairs. It is also important to streamline or reengineer the approval process. The former helps to streamline government function and to adjust the relationship between the government and the market or society. The latter could directly improve administrative efficiency. This approach to reform is not wrong, theoretically.

However, it ignored the practice of CAEAS reform, i.e., administrative discretion was closely entangled with the non-licensing administrative approval affairs from the standpoint of reform. Top-down mandatory CAEAS reform without strict regulations might fall into embarrassment because of information asymmetry existed in principal-agency relationships among different levels of government.

Finally, this efficiency-oriented reform with low civic engagement and social supervision resulting in poor transparency could not really restrict administrative discretion and become some type of numbers-game which always the method for the local governments to cope with the decree of the superior government.

### **b. Administration sometimes separated from the Power-list**

Since the purpose of AEAS reform is to clarify the relationship between the government and other subjects, the government has a power boundary which is the origin and connotation of the Power-list. As a result, Responsibility-list comes into being. In other words, Power-list and Responsibility-list are basic requirements of the rule of law. Executive authority should operate within the Power-list and perform the functions in accordance with the responsibility-list.

However, government officials or civil servants are rational brokers who commit to the pursuit of

their own interests within the framework of public choice theory. Once out of restraint and supervision, government actions are possible beyond the lists. As discussed above, especially the word frequencies statistical analysis of secondary words belonging to social supervision, the CAEAS reform has been lack of sufficient transparency owing to absence of sufficient measures to constrain and supervise administration authority. And the weak civic engagement and social supervision exacerbate this situation.

Under this condition, CAEAS reform or the innovation of the Power-list might be shaped to some type of numbers-game, which deviates from the essence of CAEAS reform. It is possible for the so-called self-revolution of government to stop at the technical aspects and forget to constrain administrative discretion.

In other words, to announce the Power-list or Responsibility-list of government and its sectors does not really mean to curb administrative discretion in the rule of law. There still exists a great gap between the promise and the implementation. It was said that 10.5 percent of respondents are most concerned about the approval affairs that are not on the list, and 40 percent of respondents thought that local governments would pick and choose the approval affairs decentralized from the central government in accordance with their own interests (*Wei Liqun, 2015*). This selective devolution of approval authority greatly reduced or distorted the implementation of the central government decree. The incentive of reform would disappear once the impetus from the central government was interrupted. Some results of reform might come to nothing because of more resistance from government sectors and might endanger economic and social development.

### **c) Administrative route superior to the rule of law**

Furthermore, the emphasis on streamlined administration or the simplification of administrative procedures and the decentralization of power to the lower levels are improvements in administrative efficiency. However, there was some illegal administrative conduct at the local government level, especially the lower level, to achieve efficiency. More than 16 percent of respondents thought it was understandable for grass-roots governments, even if it was sometimes not strictly legal (*Wei Liqun, 2015*). Traditionally, the Chinese pay more attention to the relationship based on acquaintance, rather than law, especially in a rural society, where emotion, reason and law are always intertwined with each other. It is difficult for civil servants to administrate strictly according to the law. This situation is very embarrassing.

On the one hand, in the light of the Strategy of the Rule of Law established by the 4<sup>th</sup> plenary session of the 18<sup>th</sup> National Congress of Communist Party of China (CPC), law-based administration is the basis of good governance; illegal administrative behaviors should be punished severely. On the other hand, there is a risk that the government could not be effectively executed if the command is absolute, in accordance with mandatory provisions. This embarrassment is reflected by the fluctuation in frequency of words related to *the rule of law*, and the level of administration by law has been poor (Figure 8).

It is foreseeable that administrative route might be superior to the rule of law in China for quite some while. It also means that the reform of CAEAS will be harder to restrain the administrative authority.

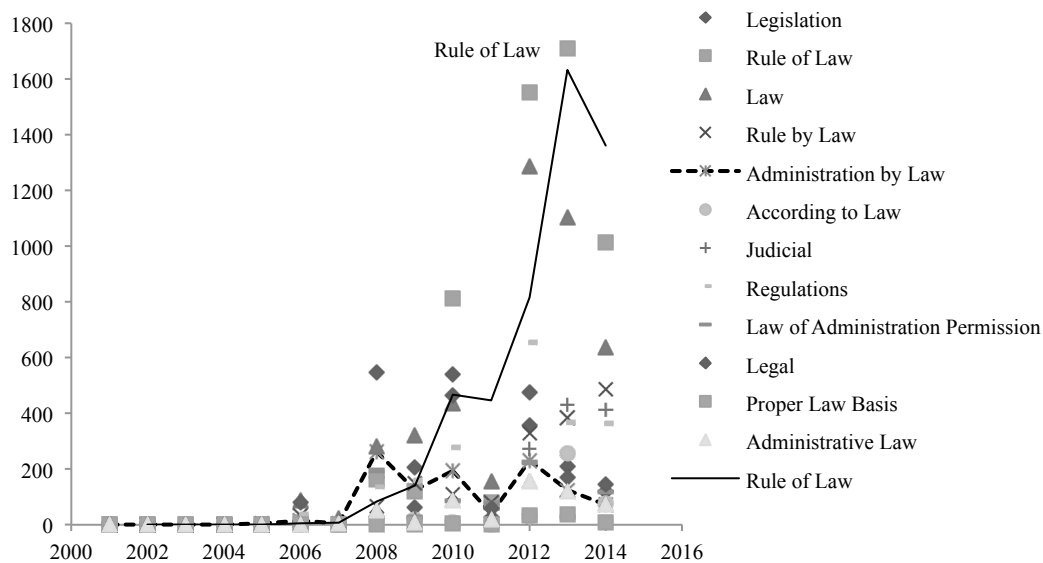


Figure 8: The word frequencies of secondary words belonging to *Rule of Law*

### 4.3 Reasonable or unreasonable: the evolution of CAEAS?

Based solely on the characteristics or the contradictions, the CAEAS reform during the period of 2001-2014 seems to be too peculiar or unique. The administration efficiency paradox, the embarrassment of administration by law and the more resistance of sectors' interest all presage more difficulties faced the future reform. Then how to objectively judge the effectiveness of the CAEAS reform? Or whether the evolution of CAEAS is reasonable or unreasonable?

#### a. The rationality of the initial efficiency-oriented reform in historical perspective

History is important, and the past choices determined the present (*Douglass, 1994*). It is the same with the future. It is necessary to analyze the historical background of the beginning of reform.

From 1949 to 1978, the central government of China had occupied the most important position in the allocation of resources. Under conditions of the Chinese centralization structure, local governments at different levels have gradually formed a type of thinking inertia based on government-power in which the Administrative Examination & Approval authority has become the main means to address the relationship between government and other subjects. The importance and status of administrative measures in the process of economic and social management was very unique during that period. Undoubtedly, this type of thinking inertia constituted the initial conditions of reform of CAEAS in 1978.

It is reasonable to introduce market mechanisms to supplement because of government failures in the allocation resources. If the administrative examination and approval procedures are so cumbersome that the market cannot completely play its role in resource allocation, it is necessary to downsize, streamline and reconstruct government and administrative procedures. That is why the evolution characteristics of CAEAS presented as government-led, efficiency-oriented and compliance-style. Therefore, all reform measures to resolve administrative problems, such as overlapped-management and fragmented-management, were not beyond the framework of efficiency in the Weberian bureaucracy.

### b. The necessary change from efficiency improvement to good governance based on rule of law

Increasingly, this efficiency-oriented reform logic of CAEAS lost its rationality, and the reform measures focused on efficiency of examination and approval are not consistent with the requirements of good governance. When do economy and society develop to a point where good governance becomes necessary for national governance? The year 2011 is the point for China.

In GDP per capita, China was in the ranks of upper-middle-income economies in 2011 (Table 5), and the risk of falling into the middle-income trap has been emerging gradually since that time. Problems such as the concentration of financial risk, income inequality, the shortage of public services and corruption have been unable to be resolved because of the widespread government offside or vacancy (*Kong Jingyuan, 2011*). Chinese finance minister Lou Jiwei warned that this possibility is more than 50% in the next 5 to 10 years because China will develop into an aging society too quickly. He also urged deepened reform of ASEAS to resolve market distortions.<sup>①</sup> The rule of law will be the basis.

Table 5: The change of Chinese Per Capita GDP (Dollars)

| Year           | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------|------|------|------|------|------|------|
| Per Capita GDP | 3315 | 3678 | 4277 | 5434 | 6076 | 6629 |

Note: According to the World Bank, in 2008 economies with per capita GDP of less than \$975 are low-income economies, those with per capita GDP between \$976 and \$3865 are lower-middle-income economies, those with per capita GDP between \$3865 and \$11905 are upper-middle-income economies, and those with per capita GDP more than \$11906 are high-income economies.

If Chinese people do not learn to enjoy the rule of law, governance ability cannot be improved in the long run and will endanger further development of the economy and society. An empirical study in China about the relationship between governance capability and economic growth during 1998-2010 shows that although the incremental reforms based on top-down, government-led systems effectively improved the performance of administration, the governance indicators, including market regulation, corruption control and level of the rule of law, had not improved accordingly, and the problem of corruption worsened (*Zhang Hong, Wang Youqiang, 2013*).

This evidence strongly supports the idea that governance capability should be the focus of CAEAS reform. Such variables as corruption control, good market regulation and the rule of law, other than administrative efficiency are more important for governance, which is able to promote economic growth (*Kaufmann, 2002*) and helps to avoid middle-income traps.

In a less complex society, it is feasible to discuss the role of the government within the Weber-style theoretical framework of organization and within the Taylor-style theoretical framework of scientific management. However, in a more complex social system created by globalization and the information revolution, goals and plans are always multiple and ambiguous, even contradictory (*Crozier, 2007*). The path of CAEAS reform focused on administration-efficiency improvement within the Weber-style and Taylor-style frameworks is behind the times. A new institutional change logic introduced through civic engagement is needed to break the inherent inertia and stability of Weberian bureaucracy, and good-governance or governance capability instead of government- efficiency improvement should be the purpose.

<sup>①</sup> <http://news.sohu.com/20150426/n411922472.shtml?pvid=ad1e9929689bd324>

China is no different.

It was at this point that the CAEAS reform has been caught in an awkward. The threaten of falling into middle-income-trap makes a new challenge to deepen reform but the Chinese traditional relationship based on acquaintance or emotion and the department interests resist it. It is not sure how long this embarrassing situation will last. However, one thing is certain, i.e., Civic engagement or social supervision should be incorporated in the CAEAS reform in accordance with the rule of law.

**C. Reasonable or unreasonable: comprehensive consideration based on economic and social variables**

In the above context, it is very hard to simply use one word such as reasonable or unreasonable to measure the whole evolutionary tracking of CAEAS.

Before 1992 when China had not integrated into the process of globalization, the economic and social environment of CAEAS reform was relatively less complex; it was suitable for Chinese government to reform the Administrative Examination and Approval System in the framework of Weberian bureaucracy to improve administration efficiency and a type of government-led top-down mandatory and compliance-style was adopted. The effectiveness of abolishing the number of matters that require government approval and streamlining the approval procedures was significant. The suppressed productivity has been largely released. National Bureau of Statistics of People’s Republic of China (PRC) verified that the annual nominal GDP has grown at an average rate of 15.2% a year, the actual GDP has grown at an average rate of 9.5% a year, and the dollar GDP has grown at an average rate of 7.1% a year during the period of 1978-1992. Finally, Chinese bid farewell to shortage economy in 1995.

Since mid 1990s, China has encouraged state-owned enterprises to restructure and create a modern enterprise system. The focus of reform was to make clear property relation which was a breakthrough in the reform of state-owned enterprises and to establish the property rights of the labor force under the Socialist Market Economy. The most outstanding achievement of the CAEAS reform has been the separation of government administration from state-owned enterprise management, resulting in the Chinese style of the western modern corporate system in which a mechanism for scientific management of state-owned enterprises was emphasized. Over the same period, multi round of GATT and WTO negotiations involved China has gradually provided the direction of CAEAS reform. While the government efficiency has been improved, economy has been freed up.

Data of National Bureau of Statistics of PRC shows that the annual nominal GDP has grown at an average rate of 15.6% a year, the actual GDP has grown at an average rate of 10.0% a year, and the dollar GDP has grown at an average rate of 15.0% a year during the period of 1993-2013. The economic growth which surged in the years after China join the WTO in 2001 has particularly increased during the period of 2001-2013, the annual nominal GDP has grown at an average rate of 14.4% a year, the actual GDP has grown at an average rate of 10.0% a year, and the dollar GDP has grown at an average rate of 17.0% a year (Table 6, Figure 9).

Table 6: The change of GDP, per capita GDP and disposable income of China: 1978-2013 (yuan)

| Year | GDP(100 million) | Growth rate(%) | Per Capital GDP(yuan) | Disposable income(yuan) | Year | GDP(100 million) | Growth rate(%) | Per Capital GDP(yuan) | Disposable income(yuan) |
|------|------------------|----------------|-----------------------|-------------------------|------|------------------|----------------|-----------------------|-------------------------|
|------|------------------|----------------|-----------------------|-------------------------|------|------------------|----------------|-----------------------|-------------------------|



|      |       |      |      |      |      |        |      |       |       |
|------|-------|------|------|------|------|--------|------|-------|-------|
| 1978 | 3645  | 11.7 | 381  | 343  | 1996 | 71176  | 17.1 | 5846  | 4838  |
| 1979 | 4062  | 11.4 | 419  | 387  | 1997 | 78973  | 11.0 | 6420  | 5160  |
| 1980 | 4545  | 11.9 | 463  | 477  | 1998 | 84402  | 6.9  | 6796  | 5425  |
| 1981 | 4892  | 7.6  | 492  | 491  | 1999 | 89667  | 6.2  | 7159  | 5854  |
| 1982 | 5323  | 8.8  | 528  | 526  | 2000 | 99214  | 10.6 | 7858  | 6280  |
| 1983 | 5962  | 12.0 | 583  | 564  | 2001 | 109655 | 10.5 | 8622  | 6860  |
| 1984 | 7208  | 20.9 | 695  | 651  | 2002 | 120332 | 9.7  | 9398  | 7702  |
| 1985 | 9016  | 25.1 | 858  | 739  | 2003 | 135822 | 12.9 | 10542 | 8472  |
| 1986 | 10275 | 14.0 | 963  | 899  | 2004 | 159878 | 17.7 | 12336 | 9421  |
| 1987 | 12058 | 17.4 | 1112 | 1002 | 2005 | 184937 | 15.7 | 14185 | 10493 |
| 1988 | 15042 | 24.7 | 1366 | 1181 | 2006 | 216314 | 17.0 | 16500 | 11759 |
| 1989 | 16992 | 13.0 | 1519 | 1373 | 2007 | 265810 | 22.9 | 20169 | 13786 |
| 1990 | 18667 | 9.9  | 1644 | 1510 | 2008 | 314045 | 18.1 | 23708 | 15781 |
| 1991 | 21781 | 16.7 | 1893 | 1700 | 2009 | 340903 | 8.6  | 25604 | 17175 |
| 1992 | 26923 | 23.6 | 2311 | 2026 | 2010 | 410202 | 20.3 | 29748 | 19109 |
| 1993 | 35333 | 31.2 | 2998 | 2577 | 2011 | 472882 | 15.3 | 35083 | 21810 |
| 1994 | 48197 | 36.4 | 4044 | 3496 | 2012 | 519322 | 9.8  | 38354 | 24565 |
| 1995 | 60793 | 26.1 | 5046 | 4283 | 2013 | 568845 | 9.5  | 41805 | 26955 |

Data source: Statistics Yearbook of National Bureau of Statistics of PRC



Figure 9: The economic growth trajectory of China: 1978-2013

Data source: Statistics Yearbook of National Bureau of Statistics of PRC

Perhaps the economic growth of China will continue for some time, but it seemed to be slowing down around 2010. The more resistance of department interests with the deepening reform of CAEAS in an indisputable fact other than the impact of global economic situation. Various innovations such as products, services or technologies need institutional innovation in essence. Government decentralization is necessary for social creativity which nevertheless needs more good governance abilities including market supervision, rule of law and anticorruption. The reform of CAEAS focused on government decentralization, streamline or realignment in the framework of Weberian bureaucracy gradually loses its rationality.

For example, one-child policy is usually linked with some basic rights including primary school, application for a residence permit and business license, property rights certificate, renovation allowance of rural dilapidated buildings, etc.. This phenomenon named as bundled administration and approval is widespread, and the family-planning bureau seems to be powerful over the law

such as the Law of Compulsory Education of the PRC and Real Rights Law of the PRC. This type of bundled approvals is the violation of the rights of people, and it deviates from the principle of law-based administration.

Generally, the efficiency-oriented, government-led top-down mandatory and incremental reform of CAEAS has improved administration efficiency significantly, and promoted China's economic and social development. To some extent, CAEAS reform has clearly defined the role and position of government in the market economy under the background of globalization, and government has become convinced the importance of law-based administration increasingly. However, it is more and more difficult to restrain administrative discretion because of the stronger resistance of departments. In the condition of middle-income-trap threat, China's economic growth drivers are no longer foreign trade and investment especially government investment, consumption and innovation or social creativity get concerned instead. The focus of CAEAS reform is not simply administrative approval decentralization, downsizing or streamline; the needs of market and society are emphasized to determine the content of decentralization, and civic engagement or social supervision emerges as an inevitable choice for breaking the resistance of sectors' interests and supervising the illegal behaviors of government.

## 5. Conclusions

The word frequency analysis of network news reports about nine samples of CAEAS reform, including Beijing, Tianjin, Gansu, Shanxi, Chengdu, Ningbo, Shanghai Pudong district, Chengdu Wuhou district and Guangdong Shunde district, etc., reveals the following: (1) The evolution of CAEAS appears significant and involves efficiency-oriented, government-led top-down mandatory compliance-style, incremental and lack of civic engagement and social supervision stages. (2) The aim of reform appears to be a glimmer of change from the pursuit of government-efficiency improvement to the pursuit of good-governance. (3) The fluctuations in the word frequencies of *rule of law*, *transparence*, *civic engagement* or *social supervision* show that CAEAS reform will face unprecedented resistance from sectors' interests.

Further discussion finds that some contradictions, such as administrative efficiency paradox intensified by poor civic engagement, administration beyond the power-list and administration superior to the rule of law, are intertwined to influence governance capability. It is difficult to assess the CAEAS evolution simply by reasonable or unreasonable.

It is rational for Chinese government to take decentralization approval affairs and procedures as the breakthrough point to improve administrative efficiency in historical perspective. Nevertheless, good governance rather than the efficiency improvement becomes a necessity because of the threat of the middle-income-trap. Chinese economic growth drivers have gradually changed from foreign trade and investment to consumption and innovation or social creativity. Accordingly, the needs of market and society will have unusual impact on the CAEAS reform, civic engagement should play different role in supervising government behaviors beyond power-list.

Whether the CAEAS reform could help to modernize China's governance ability and further drive China to become a higher-income economy depends on whether the CAEAS evolves in accordance with the above logic direction. So, is the evolution of CAEAS reasonable or unreasonable? Comprehensive consideration based on economic and social variables is necessary.

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