

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

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

This study is an outcome based on cooperation and coordination of all of three authors. Hui-xia Cheng is responsible for the research topic, research method and case selection. Hao-xian Wang and Jia Kang play positive roles in data collection and statistics.

**Abstract :** A frequency analysis of network-news reports about nine samples of the Chinese Administrative Examination & Approval System reform, including Beijing, Tianjin, Gansu, Shanxi, Chengdu, Ningbo, Shanghai Pudong district, Chengdu Wuhou district and Guangdong Shunde district, was carried out. This research reveals that efficiency-oriented, government-led, top-down mandatory compliance style, incremental, insufficiency of civic engagement and social supervision etc. constitute the CAEAS reform, which 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. **The paper concludes that it is difficult to assess the CAEAS evolution simply by reasonable or unreasonable, comprehensive consideration is needed.**

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

## 1. Introduction

**The Administrative Examination & Approval System (AEAS) as a system arrangement of the operation of government power aims to overcome market failures.** However, based on governmental authority, AEAS 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 , and many developed countries began large-scale public-sector reforms symbolized by Self-Revolution of Administrative Examination & Approval Power, **Thatcher-Reagan Revolution in the United States and the United Kingdom are all examples.** The mainstream 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 AEAS 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. However, it is doubtful that CAEAS reform could continue its effect to drive China to become a higher-income economy that needs right institution other than right policies (*Meier, 2001*). The right institution means good governance that consists 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" and "economic output" at higher-income stages (*Zhang Hong & Wang Yongqiang, 2013*). This conclusion means that government effectiveness is not enough to achieve good governance; anticorruption, supervision improvement and the level of rule of law should be emphasized.

Therefore, the first objective of this paper is to justify the possibility, and to retrospect the evolution of CAEAS and its distinguishing becomes a necessary. Compared to the CAEAS reform and economic development correlation research method, to count and analyze the news keywords related with CAEAS reform is more focused on CAEAS itself.

The statistical analysis of network news keywords about nine typical samples shows that the evolutionary tracking of CAEAS is obviously efficiency-oriented with some type of compliance-style enforcement, which may fall into an efficiency trap and might not to improve governance capability. The 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 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 in the administrative process.

Obviously, the evolution direction and pattern of AEAS in China is different from developed countries. The second objective of this study is to interpret the rationality or irrationality of the evolution of CAEAS.

Further analysis indicates that it is difficult to judge the whole evolutionary tracking of CAEAS with unambiguous description like reasonable or unreasonable. The state authority during the Chinese government process, the command-obedience relationship between the central government and local governments etc. have ever achieved the CARAS reform aim, however under the background of low level of rule of law and civic engagement, contradictory phenomena during CAEAS evolution would become a intensive resistance to further reform, encumbering the efforts of Chinese government to overcome the middle-income trap.

## 2. Literature Review

As a recognized concept, AEAS is a kind of institutional arrangement for administrative subject to agree some specific natural persons, legal persons and other organizations to obtain a certain legal

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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>

qualification or to enforce a certain action. It is an important administrative means for every government worldwide. Furthermore, AEAS has different status and function in different countries and in different stages.

In developed market economy countries, resources allocation is mainly accomplished by market mechanism, supplemented by AEAS whose purpose is not to replace market mechanism but to remedy market failure or lack of social autonomy. As an auxiliary means, the scope of AEAS is limited to social affairs, even applied in the field of business and production, AEAS is almost related to public life and health.

The Chinese case is totally different. Before 1978, Chinese government regulated the economy and society by means of plan, instruction, command and direct participation; CAEAS was only a supplementary management tool. Only very few areas and departments were controlled by CAEAS. Since Chinese economic reform in 1978, the direct administrative planning, instructions and other means gradually weakened, and the law was in a vacuum that led to the lack of standards and basis of management in multiple areas. Administrative examination and approval appeared as a result, all economic activities and all basic social activities had been incorporated into the range of CAEAS, and CAEA became a method of governmental authority operations.

However, 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, to avoid excessive government tampering with the market (Zhang Zhaoxia, 2004; Zou Dongsheng, 2005), and to improve administrative efficiency.

Unfortunately, a concept separation between *administrative approval* and *administrative license* grew up and 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 scope 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). Efficiency-oriented terms such as Entrepreneurial-Government, Efficient-Government, Limited-Government or Seamless-Government became the main description of the CAEAS reform in much literature. For example, Zhu Xinyu and Huang Yuyin, (2013) proved that to construct Administrative Service Center (ASC) or Public Affairs Hall (PAH) to centralize administrative approval, which became mainstream during the process of CAEAS reform; 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).

Yet, there were some more reflective and critical studies at the same period. Zhao Huifang (2004) argued that the CAEAS reform was largely radical, a sensationalized campaign focused on approval reduction. Ten years later, Ai Lin and Wang Gang (2014) confirmed that approval reduction was considered a target task or a numbers game, such as a division one approval-affair to several, and the liquidation of unimportant approval rights. Zhu Xinli and Shi Xiaoxue (2013) suggested that the original intention of reform should be guaranteed through procedure rationality, which is measured by engagement, transparency and centralization; and the research group of the

Chinese Public Administrative Society (CPAS, 2014) 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.

Generally, all above studies were guided by the pursuit of administrative efficiency, which was only one part of good governance, and ignored other factors that should have influenced the CAEAS reform and its effects. These studies also certify that CAEAS has operated without standard for a long time, and CAEAS reform practice efficiency-oriented has determined the evolution of CAEAS. In terms of research method, 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, isolated case study or several cases comparison could not help to find the evolution law of CAEAS, but also ignored that the essence of CAEAS reform is to restrict the administrative discretion, which is correlated with the rule of defects, the mind inertia of government power, the insufficient transparency and social supervision.

New research method is needed to reinterpret the evolutionary tracking of CAEAS and to explore the evolutionary characteristics of CAEAS. That is content analysis method. In this way, some contradictory phenomena were unearthed.

### 3. Research Method and Data Collection

The 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. Based on data reliability and authority, <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

In terms of 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%.

Specifically, in the aspect of extraction and selection, a java program was used to download the

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

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).

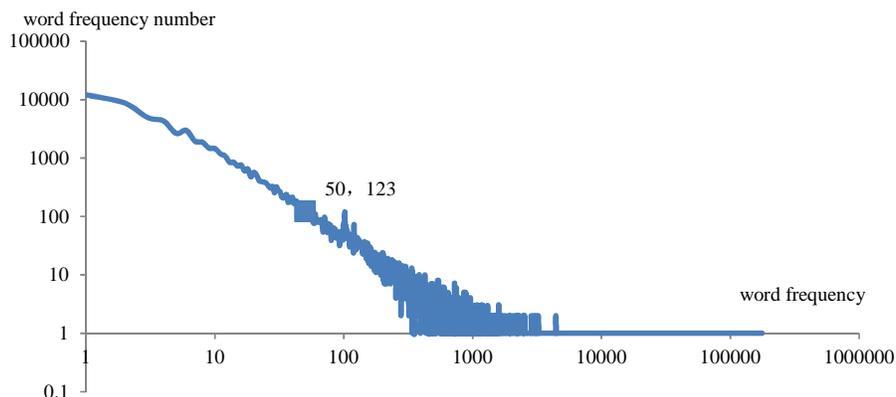


Figure 1 : The distribution of word processing

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</b>	Supervision	<b>Executive</b>	Approval Power	<b>Service</b>	Service		Service Program

Measure	Supplementary Reform	Power constraint	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 abolishment of examination and approval affair, realignment of process, social supervision and civic engagement, rule of law, etc., are presented in the section of analysis and discussion.

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

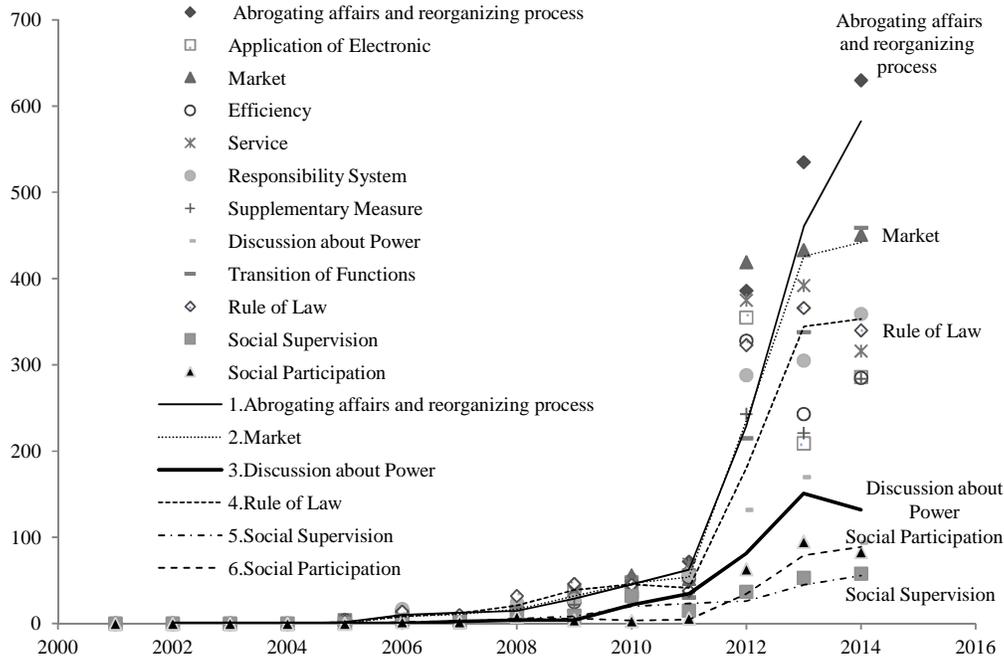


Figure 2: The trend of primary words frequency about CAEAS reform news texts

#### 4. Data Analysis and Discussion

The 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. Those characters and contradictions have been strangely integrated and intertwined throughout the whole reform process. **The unique characteristics in the evolutionary process of CAEAS include five aspects :**

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

In the texts of news reports about nine typical samples, the primary word, namely, *abolishment 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.

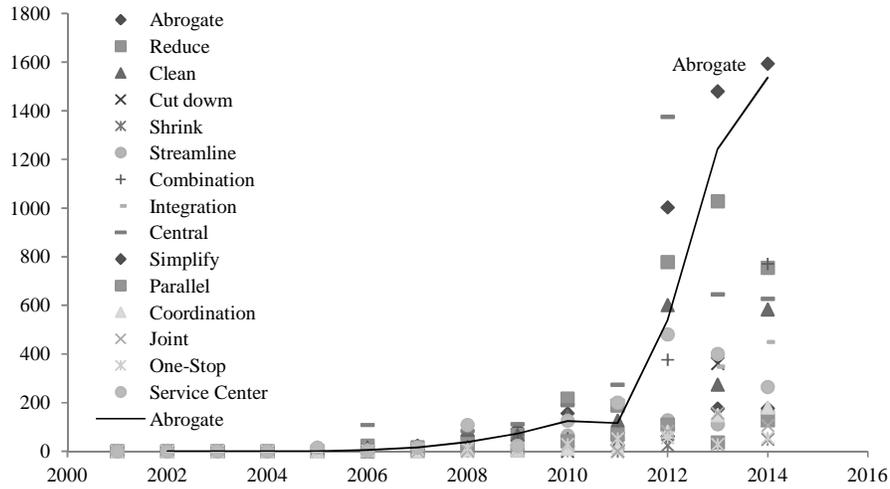


Figure 3: The frequency of secondary words, namely, *abolition of affairs* and *reduction of approval process*

**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 deepening the reforms to promote the transformation of government function.

From the beginning of 2002, the State Council has abrogated, decentralized or adjusted 2857 administrative examination and approval affairs at least 11 batches (Table 4). Accordingly, local governments at different levels followed the step of their superiors to abrogate, decentralize or adjust the approval affairs at the corresponding fields. 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 evolution aiming to restrain Administrative Discretion

Generally, local governments at different levels and different agencies implemented a point-to-whole and shallow-to-deep incremental 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, 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 twelve years and six batches to complete during 2001-2013.

The specificity of incremental evolution of CAEAS is usually trying to avoid evoking the core interests of government sectors. In a short period of time, the advantage of this type of practice 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).

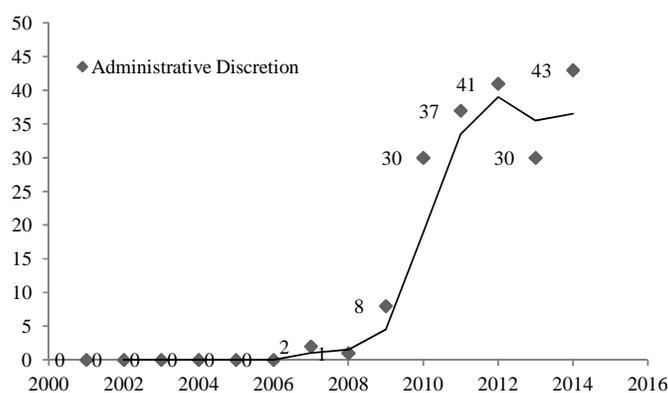


Fig 4: The frequency of secondary word named *Administrative Discretion*

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

#### d. Insufficiency of civic engagement, social supervision and transparency

Compared to the high word frequencies of abolishment 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 evolution from 2001 to 2014 was insufficient of civic engagement and social supervision. The practice 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 that 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.

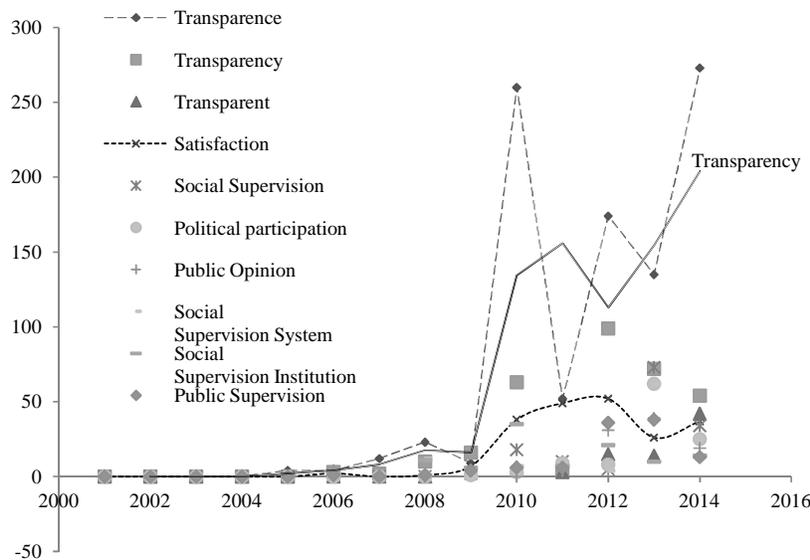


Figure 5: The word frequencies of secondary words belonging to *Social Supervision and Transparency*

#### e. New moderate change associated with good governance 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*, *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 *abolishment of affairs* or *realignment functions*, the upward change in the word frequency of *social participation* and *social supervision* is moderate. Still, this type of change with the obvious increase in word frequency of *rule of law*

<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 significance of ruling by 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 highlights during the evolution of CAEAS. It appears to be a glimmer of change from pursuit of government-efficiency improvement to pursuit of good-governance. And government functions and the boundary between the government and the market or society seem to be clearer.

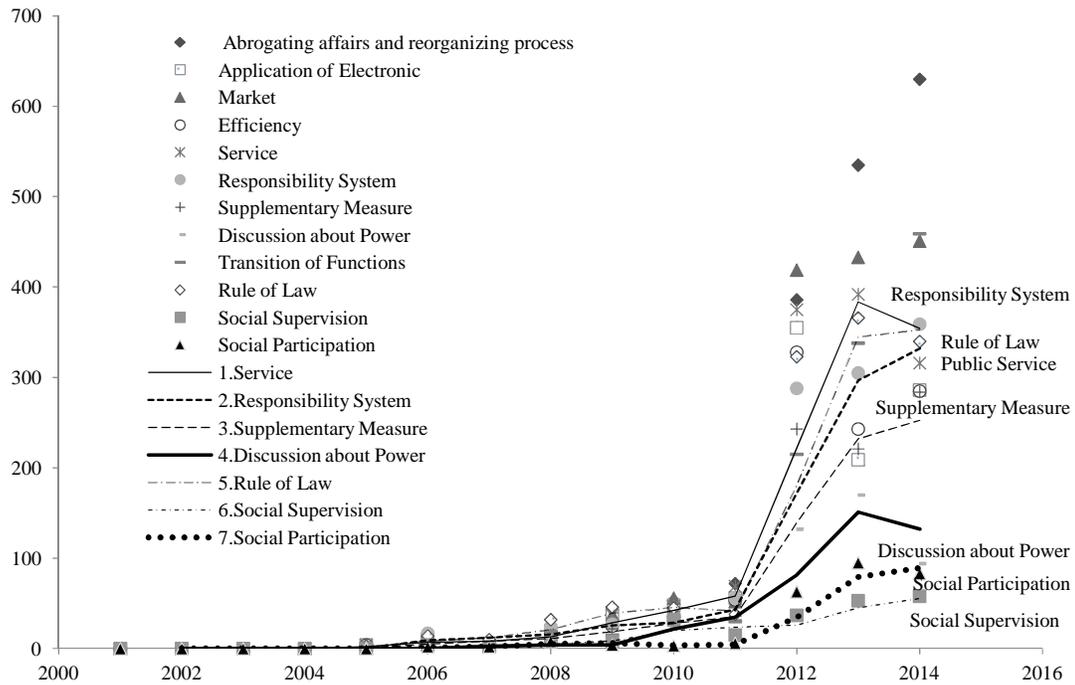


Figure 6: New trend of word frequencies of primary words related to *Responsibility, Rule of Law, and Social Participation etc.*

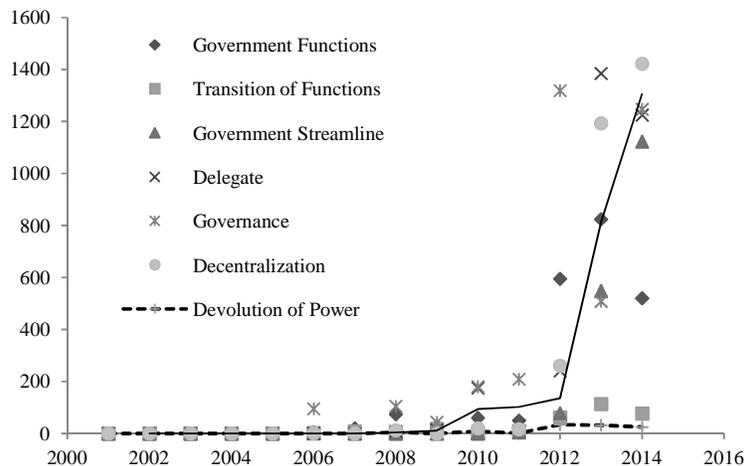


Figure 7: The frequency change of word related to *Administrative Functions Transition*

In spite of the achievements of the CAEAS reform in such areas as downsized and streamlined government functions, improved administrative efficiency, and liberated market; there have been some contradictions, such as efficiency paradox, power list and power unfettered, the rule of law

and government actions beyond the law, etc..

**a. Administrative efficiency paradox intensified by insufficiency of civic engagement**

Efficiency paradox is a vivid description of efficiency pursuit leading to an efficiency trap that means the efficiency tools have been transformed to be the efficiency itself, and the emphasis is more on the procedure.

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, the complicated administrative process and procedures bear some of the blame. It is necessary to abrogate, delegate or adjust the incompatible approval affairs. It is also important to streamline or reengineer the approval process. This approach to reform is not wrong, theoretically.

However, it ignored 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 insufficient 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 that is the origin and connotation of the Power-list. As a result, Responsibility-list comes into being. 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.

Unfortunately, government officials or civil servants are rational brokers who commit to 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, the CAEAS reform has been insufficient of transparency owing to absence of effective measures to constrain and supervise administration authority. And the weak civic engagement and social supervision exacerbate this situation.

Under this condition, 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 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. But 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. 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.

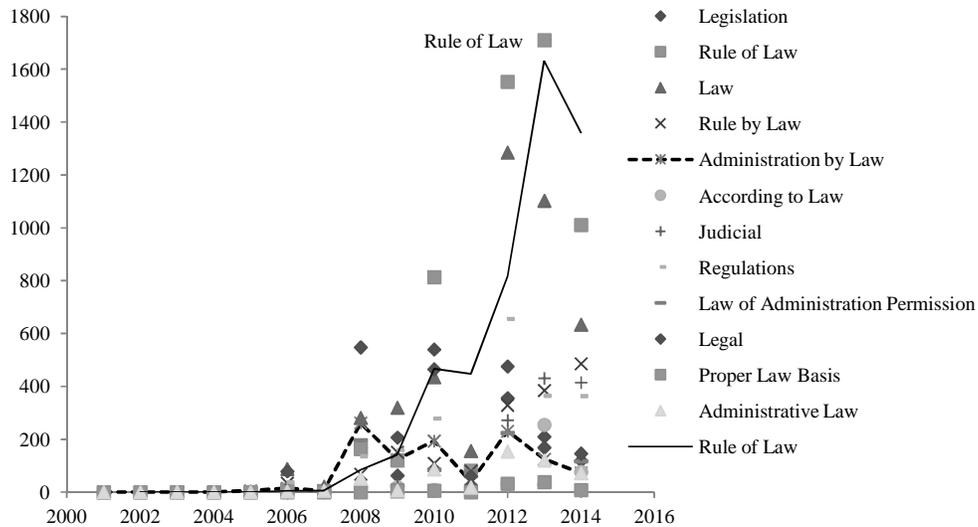


Figure 8: The word frequencies of secondary words belonging to *Rule of Law*

Based solely on the characteristics and the contradictions, the CAEAS evolution during the period

of 2001-2014 seems to be too peculiar. With the reform advanced, those contradictions presage more difficulties faced the future SAEAS reform, and might endanger the evolution direction of CAEAS. The CAEAS reform efficiency-oriented has gradually become incompatible with new economic and social environment. To evaluate the evolution of CAEAS objectively needs comprehensive consideration, the historical perspective is indispensable, and the new requirements of good governance are more critical.

#### **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 CAEAS 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 status of administrative measures in the process of economic and social management was very unique during that period. This type of thinking inertia constituted the initial conditions of CAEAS reform since 1978.

It is reasonable to introduce market mechanisms to supplement because of government failures leading to inefficiency in state-owned enterprises. And 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 conversion from efficiency improvement to good governance**

Increasingly, the efficiency-oriented evolution 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>

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

Year	2008	2009	2010	2011	2012	2013

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

Per Capita GDP	3315	3678	4277	5434	6076	6629
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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.

Good governance has received unprecedented attention. But if Chinese people do not learn to enjoy the rule of law, governance 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 good governance should be the focus of CAEAS reform. Such variables as corruption control, good regulation and the rule of law, other than administrative efficiency are more important for governance (*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 direction and path of CAEAS evolution focused on administration-efficiency improvement within the Weber-style and Taylor-style frameworks is behind the times. New institutional change logic is needed to break the inherent inertia and stability of Weberian bureaucracy, and good governance instead of administrative efficiency should be the purpose. **China could not make an exception.**

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 accordance with the rule of law.

### **c. Comprehensive consideration of the CAEAS evolution**

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 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 joined 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).

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.

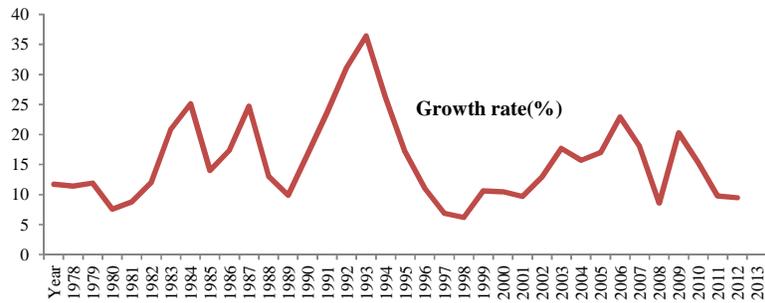


Figure 9: The economic growth trajectory of China: 1978-2013

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 (Figure 9). 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 keynote of CAEAS evolution focused on government decentralization and streamline 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, 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. The type of bundled approvals is the violation of the rights of people, and it deviates from the principle of law-based administration.

## 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 facts: First, the evolution of CAEAS appears significant and involves efficiency-oriented, government-led top-down mandatory compliance-style, incremental and inefficient civic engagement and social supervision stages. Second, the evolution appears to be a glimmer of change from the pursuit of government-efficiency improvement to the pursuit of good-governance. Third, 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. To assess the CAEAS evolution objectively needs comprehensive consideration.

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.

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