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## China's governance reform from 1978 to 2008

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YU Keping

# China's Governance Reform from 1978 to 2008





Title:

**China's Governance Reform from 1978 to 2008**

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**Abstract:**

This paper systematically examines the dominant processes and key issues of China's governance reforms over the last 30 years since the start of the reform and opening policies. It argues that the main thrust of China's governance reforms is the shift from monistic governance to pluralist governance, from centralization to decentralization, from rule of man to rule of law, from regulatory government to service-oriented government, and from intra-party democracy to people's democracy. This paper argues further that the focus of China's governance reform includes ecological balance, social justice, public service, social harmony, government cleanness, government innovation, intra-party democracy, grass-roots democracy, etc. The variables of governance reform in China are social and economic development, the logic of political development, influence of new political culture and impacts of globalization. After persistent efforts in the past three decades, this paper contends that in China a unique governance model is emerging which is destined to democracy, rule of law, justice, accountability, transparency, cleanness, efficiency and harmony.

**Keywords:**

Governance, Democracy, Political Reform, Governance Model, Government Innovation

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Focusing on the main bodies, approaches, objects and orientation of the reform, this article will at first examine the dominant trends and key issues of China's governance reforms over the passed 30 years, discussing their content, methods, targets and orientation. After a brief analysis of the empirical basis of these reforms, it provides both a preliminary summary of the major achievements and persisting problems of the reforms and of the main characteristics of the Chinese model of governance.

## 1 Introduction: The Reform and Opening Policies and Governance Reforms

From the early 1990s onwards, the word 'governance' became a popular term in Western social sciences, and since the start of the 21st century it has also become a salient concept among Chinese academic circles. In China the term 'governance' was first adopted by economists, and terms such as "corporate governance" or "corporate governance structure" began to be widely used in discussions of corporate transformation and enterprise restructuring. Since then, political scientists and subsequently sociologists adopted the term, using it to refer to state governance and public governance respectively. In the field of political science, governance refers to administrative activities and processes carried out by public authorities in order to actualize public interests. Governance (*zhili*) and government (*tongzhi*) have aspects in common as well as substantial differences. One of these substantial differences is that the role of government can only be executed by the organs of government authority, while the tasks of governance can be carried out by governmental organizations as well as non-governmental organizations or joint government and civil organizations. The focus of government is the organs of the state, while the focus of governance is the entire society. Just as there is a distinction between "good government" and "bad government", there is also a distinction between "good governance" and "bad governance". Good governance is the administrative process of maximizing public interest.<sup>1</sup>

The pursuit of good governance is the common goal of every national government. State governance and public governance are to be classified under the category of political administration. The activity of governance is a form of political activity embodying certain political values. Thus, the reform of governance constitutes an important part of political reform, and the system of governance forms an important part of the political system. But in contrast to government, governance technicalities are more important than values. In social and political life, the operation of governance is a kind of political activity that tends to emphasize technological aspects. For example, governments under different political systems all hope to advance more efficient administrative systems, lower administrative costs, better public services and more civil support. That is to say, every national government hopes for better governance. It is only through constant reform and innovation that governments can achieve good governance. Therefore in recent years one national government after another has turned to public sector innovation. Government reform or government innovation has become a global trend. For example, the U.S. State Department established a special "Center for Administrative Innovation".<sup>2</sup> To provide another example, the United Nations together with its member states launched the "Global Forum on Reinventing Government", which has already hosted seven sessions. This Forum aims to promote innovative government reforms in all countries of the world and to improve each country's public governance.<sup>3</sup>

China's entire reform and opening project began 30 years ago with a set of political reforms. The Third Plenary Session of the Eleventh National Congress of CPC at the end of 1978, which has come to symbolize China's reform and opening policies, was in fact the launching of political reforms by the Communist Party of China (CPC). The Third Plenary Session adjusted the power structure of the CPC, and set out a new political line (*zhengzhi luxian*) and work focus. Without this political reform, the subsequent reform of the economic system would not have occurred. Some Western scholars, assessing

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1 On the meanings of governance and good governance, and for a detailed explanation of the similarities and differences between the concepts of governance and government, see Yu Keping: "Introduction to governance and good governance", in *Marxism and Reality*, (1999) no. 5, pp. 37–41.

2 See Geoff Mulgan: *Ready or Not? Taking Innovation in the Public Sector Seriously*, National Endowment for Science, Technology and the Arts (2007), p. 12.

3 See [www.7thglobalforum.org](http://www.7thglobalforum.org).



China's political development during the reform period according to the standards of a multi-party system, nationwide universal suffrage and separation of powers, believe that China's reforms are essentially economic, and see no essential changes in the political system. This is a result of prejudice and misunderstanding. Along with fundamental economic reforms, China's political system is also undergoing deep-rooted reforms. In China the influence of the political system on economic development is more far-reaching than in Western countries. It is fundamental to the Chinese experience that without reforms of the political system, economic reform cannot succeed. Deng Xiaoping, the late leader of China's reforms, was very clear on this point. He stated: "If there is no reform of the political system, the success of economic reform cannot be guaranteed."<sup>4</sup> "If we only carry out reform of the economic system, and not reforms of the political system, the reform of the economic system will not be successful, because in the first instance people themselves will stand in its way. Work has do be done by people, but when we advocate devolution other people cling on harder to their power, so what can we do about it? From this point of view, the eventual success of the entire reform project depends upon the reform of the political system."<sup>5</sup> We can see now very clearly that China's reform and opening project amounts to a process of comprehensive social change that encompasses the economic, political and cultural spheres.

China's political reform is largely a kind of governance reform. In fact, China's political reform is not what many Western scholars understand as reform of the political system – it does not involve changing the basic political framework. It mainly involves reform of state governance and of the administrative systems of the state. The Chinese government constantly stresses that it will not emulate the Western political model characterized by a multi-party system and the separation of powers. Moreover, the Chinese government strongly emphasizes political reform, in particular focusing on state governance reform brought about through changes in the state administrative system. At the start of the reform and opening policies, Deng Xiaoping firmly grasped the importance of reforming the leadership systems of the party and the state, stating decisively: "If we do not persist in reforming the shortcomings in the current system, the severe problems that emerged in the past might emerge once again."<sup>6</sup> Since the reform and opening policies, the CPC and the Chinese government have continuously emphasized political reform, and every political report to the Party Congress, and every government work report to the National People's Congress has without exception included some discussion of political reforms. The reform of state governance, or state administration, constitutes an important part of political reform. For example, the political report to the Seventeenth National Congress of the CPC carried a special discussion on "accelerating the reforms of the administrative system, and constructing a service-oriented government", and clearly stated: "The reforms of the administrative system are an important step in the process of deepening the reforms." The Second Plenary Session of the Seventeenth National Congress of the CPC passed the "Suggestions concerning deepening the reforms of the administrative system." It stated: "The Party Central Committee and the State Council have always attached great importance to reform of the administrative system", "reform of the administrative system is an important part of the reform of the political system, which is required by objective laws for the superstructure to adapt to the economic base. The administrative reforms permeate through the entire process of our country's reform and opening project and the construction of socialist modernization."<sup>7</sup>

## 2 The Principle Line of Governance Reforms

Taking a broad view of the path of China's governance reforms for the 30 years between 1978 and 2008, we can identify a clear set of trends: From monistic governance to pluralist governance; from centraliza-

4 Deng Xiaoping: *Selected Works*, Volume 3, Beijing: People's Publishing House 1993, p. 176.

5 Deng Xiaoping: *Selected Works*, Volume 3, *ibid.*, p. 164.

6 Deng Xiaoping: "Reform of the party and the state leadership system", *Selected Works*, Volume 2 (2nd edition), Beijing: People's Publishing House 1994, p. 333.

7 Central Committee of the CPC: "Suggestions concerning deepening the reforms of the administrative system", passed by the Second Plenary Session of the Seventeenth Central Committee of the CPC (27 February 2008); [http://news.xinhuanet.com/newscenter/2008-03/04/content\\_7717129.htm](http://news.xinhuanet.com/newscenter/2008-03/04/content_7717129.htm).

tion to decentralization; from rule of man to rule of law; from a government of regulation to a government of service; from intra-party democracy to social democracy.

From monistic governance to pluralist governance: The concentration of all governance power within a single authoritative institution was one of the dominant characteristics of Chinese politics prior to the reform and opening policies. This system of monistic governance originated in the system of “the party’s monistic leadership”. Under such a structure, there was only one body of governance. During the Cultural Revolution, this single authoritative institution was made up of the different levels of revolutionary committees; in contrast, during other periods it has been made of the different levels of party committees or party branches. This single body of governance administered not only the state’s political and administrative affairs, but also all social and economic affairs. The major shortcoming of monistic governance was that it led to political autocracy and low administrative efficiency, and stifled people’s creativity and autonomy. The groundbreaking reforms of this kind of monistic governance commenced with the separation of party and state, and the state led the way in becoming a relatively independent body of governance. The merging of party and state whereby the party stands in for the state is the inevitable result of monistic leadership by the party. The Third Plenary Session of the Eleventh National Congress of the CPC in 1978, in effect the starting point for the reform and opening policies, was aware of this problem and clearly stated: “We must strive to resolve the problem of the merging of party, state and enterprises, the party’s standing in for the state, and the state’s standing in for enterprise.”<sup>8</sup> Deng Xiaoping regarded the separation of party and state as the bridgehead of the reforms of the entire political system. In August 1980, the Politburo of the Central Committee of the CPC convened a special meeting on reforming the political system, starting with the question of separating party and state. Under the leadership of Deng Xiaoping, the party and the state gradually attained a moderate amount of separation. The party mainly took on the responsibilities of political leadership, while the state mainly took on the administrative responsibilities. In the 1980s, the Central Committee of the CPC determined furthermore to implement a separation of state and society, as well as state and enterprise. The party and the state would no longer continue to directly administer Town and Village Enterprises and rural economic affairs. Towards the end of the 1980s China began to set up a system of Village Committees in the vast countryside, and to implement forms of self-government for villagers. By the 1990s, aside from the original workers’, youth and women’s organizations, civil organizations began to emerge and obtain recognition by the state. These organizations had a growing influence on both social and political spheres.<sup>9</sup> By then a structure of pluralist governance had begun to take shape, consisting of different levels of party organizations and state organizations, enterprise and vocational work units and all kinds of civil organizations. Within this pluralist structure the party and state organizations were the most important bodies of governance.

From centralization to decentralization: A monistic style of governance is bound to lead to a high level of centralization, and in the end lead to the concentration of power in the hands of a few individuals. Deng Xiaoping explained this in the following way: “The excessive centralization of power is far too inappropriate and without due examination all power is concentrated in the hands of the party committees under the slogan of strengthening the monistic leadership of the party. The power of the party will always end up in the hands of just a few party secretaries, even just one party secretary, so that the first secretary will be in command of every decision and will always have the last word. The party’s monistic leadership will therefore always end up as leadership by a single individual.”<sup>10</sup> Governance reform must lead to a change in the function of governance. Since the reform and opening policies, the leadership levels of the CPC and the Chinese government have begun to carry out large-scale political decentralization as a way to adapt to the change from monistic governance to pluralistic governance. This kind of

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8 “Communiqué of the Third Plenary Session of the Eleventh Central Committee of the CPC”, passed December 22nd 1978, see *Selected Important Documents Since the Third Plenary Session*, Volume 1, Beijing: People’s Publishing House 1982, p. 7.

9 The Ministry of Civil Affairs has officially registered almost 360,000 civil organizations. There are up to 3 million civil organizations of different kinds actually in existence, see for example Yu Keping et al., *Chinese Civil Society’s Institutional Environment*, Beijing: Beijing University Press 2006, p. 12.

10 Deng Xiaoping: “Reform of the party and the state leadership system”, in: *Selected Works*, Volume 2 (2nd edition), Beijing: People’s Publishing House 1994, pp. 328–329.

decentralization has been launched on three separate fronts almost simultaneously. The first point, starting in the mid-1980s, was central to regional decentralization. The central government devolved a large amount of political and economic administrative power down to the regions. On July 20th 1984 the Central Secretariat decided to reform the administrative system of the cadres. It decentralized the jurisdiction of cadre administration and adopted a new structure in which it would only directly administer the principle leading cadres one level below. This new administrative structure in fact extended autonomous rights for the regions. In December 1993, the State Council decided to fully implement separate tax systems for the centre and the regions, which amounted to a major devolution of economic power. Second was the devolution of power from the state to the enterprises that the Central Committee of the CPC decided to bring into effect starting in the mid-1980s. In December 1984 the State Council published the "Notification concerning the implementation of limited terms of office for directors (managers) of state enterprises", which determined that from the start of 1985 the directors and managers of state enterprises would be relieved of their original permanent appointments, and a new system of restricted terms of office would be implemented. In November 1993 the Third Plenary Session of the Fourteenth National Congress of the CPC passed "The decisions by the Central Committee of the Chinese Communist Party on several questions regarding the construction of a socialist market economic system". Under this rule, enterprises became autonomous corporations and were not subject to the jurisdiction of the state. Third was the decentralization of power from the state to society. In a model of monistic governance all power of society in the political, economic and cultural spheres is tightly concentrated in the hands of the state, there are no relatively independent civil organization, nor is there any substantive societal autonomy. Along with the emergence of pluralist governance, the state began to devolve power to society. After the 1980s, autonomy was granted first to rural villagers and then to urban inhabitants. For China, this was a breakthrough in grassroots democracy and an important step forward in the decentralization of power from the state to society. Beginning in the 1990s, after this new series of reforms to the organs of the state, some state organs established industrial associations. For example, the Ministry of Light Industry set up the Light Industry Association, the Ministry of the Textile Industry the Textile Industry Association. Correspondingly, some roles that were originally administered by the state began to be transferred to business organizations, and as such important progress was made in terms of professional autonomy. At the end of the 1990s and the start of the 21st Century, civil organizations appeared in droves, and the state began to emphasise their role in administering society. Every civil organization was made to participate in social administration, and as such the power of the state and its departments was devolved to specialist social organizations.

From rule of man to rule of law: China is a country with a long tradition of rule of man that has lasted over more than two thousand years. One of the most painful lessons of the decade long "Cultural Revolution" was the necessity of moving towards rule of law from rule of man. After the reform and opening policies, the party and the state began to focus on "legality" or "rule by law". For a long period of time democracy and legality have been closely associated with one another and accorded equal status. As it was stated at the Third Plenary Session of the Eleventh National Congress of the CPC: "In order to guarantee democracy for the people, it is necessary to strengthen the socialist legal system to provide democracy with a systematic basis in law, and to endow this legal system with stability, continuity, and the highest authority in order to ensure that it is consistent, complied with by the people, strictly enforced and that violations are investigated."<sup>11</sup> Following the 1980s, many theoreticians began to advocate "rule of law". The principle difference between "rule by law" and "rule of law" is that the former emphasizes a strict legal basis for carrying out work and administration, and the latter emphasizes the status of law as the highest ruling authority that no individual or group can transcend. The party and the state have always attached great importance to this latter concept of the rule of law. September 9th 1979 saw the publication of document no. 64 entitled "Concerning the resolution on the Criminal Law and Criminal Procedural Law and the guidelines for their practical implementation by the Central Committee of the CPC". This announced the abolition of the system of approving judicial cases by party committees. This

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11 "Communiqué of the Third Plenary Session of the Eleventh Central Committee of the CPC", passed December 22nd 1978, see *Important Selected Documents Since the Third Plenary Session*, Volume 1, Beijing: People's Publishing House, 1982, p. 11.

document further broke new ground in applying the concept of the “rule of law”.<sup>12</sup> During the mid-1980s, some party leaders began to propose that the CPC, as the only party in power, should also be subject to the law, and that party organs and party leaders should not possess the privileges of immunity before the law.<sup>13</sup> Following the 1990s rule of law became the long-term goal of China’s political development, and the Fifteenth National Congress of the CPC convened in 1997 was a significant marker for this. The political report to the Fifteenth National Congress first clearly proposed the objective of “the construction of the socialist state under the rule of law”,<sup>14</sup> and not long afterwards this objective was written into the constitution of PRC, and so from being a political objective of the CPC it became a political objective of the nation state. After the Sixteenth National Congress of the CPC the government further proposed more concrete objectives for the construction of the rule of law, indicating that the government was setting an example and taking the lead in achieving rule of law at the state level. The process of reform and opening is also a process of gradually establishing China’s socialist legal system. From 1979 to 2005, the National People’s Congress together with its Standing Committee passed 400 laws as well as the decisions on related legal questions, the State Council enacted over 650 administrative regulations, and the local People’s Congresses together with their Standing Committees enacted over 7,500 local regulations. The objective of the Chinese government is that by 2010 a more or less fully functioning legal system will have been established.<sup>15</sup>

From a regulatory government to a service-oriented government: The actual purpose of government is to regulate the political life of society and to protect the legitimate rights of citizens. The government thus sets limitations on the political activities of citizens while guaranteeing their rights and interests. As such, the government acts as a regulator as well as a kind of public service provider. Since the reform and opening policies, the overall trend of the Chinese government administrative reforms has been a gradual diminishing of the regulatory function, and a gradual increase in the emphasis on service to the point where the construction of a service-oriented government has been openly proposed. The 1998 “Proposal for reforming the institutions of the State Council” established “public service” as one of the government’s key functions. In 2004 Premier Wen Jiabao proposed the “construction of a service-oriented government”, and in the 2005 “Government work report” he officially confirmed this as an official government objective and proposed measures for its implementation. Following both the Sixteenth and Seventeenth National Congresses, the Chinese government further elaborated on the fundamentals of what the service-oriented government and the corresponding system of public service would entail. The Sixth Plenary Session of the Sixteenth National Congress held comprehensive discussions on this question: “The construction of a service-oriented government involves strengthening social administration and public service. Serving the people is the sacred duty of every level of government and the fundamental standard for all officials. This entails deepening the reforms of the administrative system to achieve the most efficient organizational forms and laying greater emphasis on social administration and public service functions. These processes should be carried out in line with the requirements of the changing role of the system such that power and responsibility accord with one another, service functions are strengthened, administrative mechanisms are improved and overall efficiency is raised. The focus should be to develop social projects and to solve problems of people’s livelihoods. On this basis the allocation of public resources should be optimized with an inclination towards rural, grassroots and less developed areas to gradually form a basic public service system geared towards benefiting all people. This entails an innovative public service system which can improve the methods of public ser-

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12 On this point, some scholars argue that “rule by law” originated at the 1978 Third Plenary Session of the Eleventh Central Committee of the Communist Party, see Wang Jiafu, “‘Rule by Law’ originated at the 1978 Third Plenary Session of the Eleventh Central Committee of the Communist Party”, *Newspaper Digest* (April 24th 2008).

13 Central Committee of the CPC: “Notification by the Central Committee of the CPC concerning the necessity of persevering in upholding the socialist legal system”, October 7th 1986, see the Standing Committee of the National People’s Congress Clerical and Research Office Edition, *Selected works from the People’s Congresses*, Beijing: Chinese People’s Legislative Publishing House 1992, p. 166.

14 Jiang Zemin: “Hold high the great banner of Deng Xiaoping theory, let the building of socialism with Chinese characteristics advance towards the 21st Century” in the report to the Fifteenth National Congress of the CPC, *People’s Daily* (September 12th 1997).

15 Press Office of the State Council: “The building of Chinese democratic politics”, *People’s Daily* (October 19th 2005), pp. 1–2.

vice, and more and better public facilities should be constructed.”<sup>16</sup> The Seventeenth National Congress hosted a comprehensive discussion on the fundamentals of what the construction of a service-oriented government would entail. The issue was discussed from the three angles of improving people's livelihoods, strengthening society building, and accelerating the pace of administrative reforms. To summarise, the Chinese government is currently endeavoring to construct a service-oriented government focusing mainly on the following five features: constructing a responsible government stressing responsible government service; increasing public service expenditure and providing more public facilities; developing a number of legal policies regarding public service to provide institutional safeguards for the service-oriented government; improving the quality of government services and raising the overall level of public service; striving to make public services more inclusive.

From intra-party democracy to social democracy: The development of democracy is the steadfast goal of the CPC and the Chinese government. People's democracy is the life of socialism.<sup>17</sup> The basic reason for the tragedy of the “Cultural Revolution” lays in the weakness of the democratic system. The decade of the “Cultural Revolution” was hugely destructive to the democratic life of the country. After the end of the “Cultural Revolution” the entire society recognized the need for developing democracy. Just as it was stated with heartfelt sincerity at the Third Plenary Session of the Eleventh National Congress of the CPC: “Since in the previous era democratic centralism was not properly implemented but deviated away from democracy and became overly centralized, it is now especially necessary to emphasise democracy.”<sup>18</sup> However, the CPC refuses to follow the path of Western-style democracy, being determined instead to follow the path of socialist democratic politics with Chinese characteristics. Since the reform and opening policies, China has gradually formed a distinctive democratic framework made up of several different systems, including: a system of multi-party cooperation in which the CPC is the sole leader; a system of people's congresses; a system of political consultation between the CPC and the Democratic Parties and mass organizations from every sector of society; a system of community autonomy consisting in principle part of village and residential committees; a system of occupational autonomy consisting mainly of a system of enterprise workers' conferences; a system of regional autonomy consisting mainly of a system of autonomy for minorities. China is a great power that is nevertheless still a developing country. It lacks a democratic tradition, and is relatively backward economically and culturally. The advancing of democracy is therefore extremely difficult. Through 30 years of endeavor, the CPC has gradually instituted its basic objective of Chinese-style democracy. It has established the ideal conditions for it, developed its essential form, determined its most important content and laid down a realistic path for its development. The basic objective for Chinese-style democratic politics is a highly developed people's democracy. Following on from the proposal at the Seventeenth National Congress that: “People's democracy is the life of socialism”, China's top leaders at the Second Plenary Session of the Seventeenth National Congress once again emphasized: “We must raise higher the banner of people's democracy”.<sup>19</sup> The ideal for Chinese democratic politics was stated at the Fifteenth National Congress as “achieving an organic unity of the party as the leadership, the people as the masters and rule by law”.<sup>20</sup> The essential form of Chinese democratic politics is the system of people's congresses. Here the people elect their own representatives that will make up the organs of power at all levels of the state. It is thus through these people's congresses that the people exercise their rights as masters. Grassroots democracy is the most important factor in the construction of Chinese democratic politics. As it was re-

16 Central Committee of the CPC: “Decisions of the Central Committee of the CPC concerning several important questions on constructing a socialist harmonious society”, passed by the Sixth Plenary Session of the Sixteenth National Congress of the CPC (October 18th 2006).

17 Hu Jintao: “Hold high the great banner of socialism with Chinese characteristics, struggle to seize the new triumph of building an all-round well-off society”, in the report to the Seventeenth National Congress of the CPC, October 15th 2007, Beijing: People's Publishing House 2007.

18 “Report to the Third Plenary Session of the 11th Central Committee of the CPC”, passed December 22nd 1978, see *Important Selected Works Since the Third Plenary Session*, vol. 1, Beijing: People's Publishing House 1982, p. 10.

19 “Report to the Second Plenary Session of the Seventeenth Central Committee of the CPC”, see *People's Daily* (February 28th 2008).

20 Jiang Zemin: “Hold high the great banner of Deng Xiaoping theory, let the building of socialism with Chinese characteristics advance towards the 21<sup>st</sup> Century” in the report to the Fifteenth National Congress of the CPC, *People's Daily* (September 12th 1997).

marked in the report to the Seventeenth National Congress, the development of grassroots democracy “must be the keystone in the foundation for advancing socialist democratic politics.”<sup>21</sup> The path for realistically advancing Chinese democratic politics was stated at the Sixteenth National Congress as “using the development of intra-party democracy as an impetus for social democracy.”<sup>22</sup> Since the reform and opening policies, the most important headway in advancing intra-party democracy and social democracy was made at the following stages: The end of the 1970s, when the people’s congresses and local governments at all levels were restored and began to exercise constitutional and legal power. The 1980s, when the people’s representatives below the county levels began to hold direct elections; the CPC began to abolish the system of permanent terms of office, and to experiment with systems of fixed terms of office for cadre and standing positions for party representatives; autonomy for villagers and urban residents was gradually increased. The 1990s, when the CPC began to experiment with rules for guaranteeing the rights of party members; trials began for the open elections of township leaders for the party and the state; clauses on the protection of human rights entered the “Constitution”. From the start of the 21st Century, the CPC began to try out regulations on internal party supervision, and the major task of selecting party committees through a voting system was put into practice across the board. The system of competitive selection for party and state leaders and cadres was expanded to encompass a broader range. The “Law of supervision for the standing committees at all levels of the people’s congresses of the People’s Republic of China” was passed and implemented. Major laws and policies on public hearing were widely put into practice, while a system of open access to state information was initiated.

### 3 The Main Areas of Governance Reform

Since the reform and opening policies, China has begun to push ahead with the socialist market economy and committed itself to developing a democratic form of politics. The role of the state has begun to change. It has withdrawn from many areas of economics and social administration, and changed from a state that was involved in all matters, to a limited state. At the end of last century, the Chinese government came to the decision that “it must transform the functions of the state to macro-regulation, social administration and public services, and transfer the power over-production enterprises to the enterprises themselves”.<sup>23</sup> In accordance with this, the influence of the state must be delimited to accelerating scientific development, upholding social justice, maintaining social stability and advancing democratic politics. These alterations in the functions of the state must be accompanied by changes in the remit of state governance. As state governance has evolved over the passed 30 years the following areas have gradually emerged as the key issues: ecological balance, social justice, public service, social harmony, integrity among officials, intra-party democracy and grassroots democracy.

**Ecological balance.** Since the reform and opening policies, the massive success of China’s social and economic modernization has become the focus of world attention. On the basis of comparable prices, China’s National Product increased by an average yearly rate of 9.7% in the 29 years from 1979 to 2007, from 403.82 billion Yuan in 1979 to 24,661.9 billion Yuan in 2007. The average domestic GDP per capita increased from 381 Yuan in 1978 to over 18,680 Yuan in 2007.<sup>24</sup> However, as we reap the benefits of modernization, we also pay a high price. Amongst the heaviest costs have been environmental degradation, ecological disequilibrium, climate change and the depletion of resources, and the list goes on. The Chinese government sees very clearly that damage to the ecological environment causes serious problems for the country and the people. The government began in the mid-1980s to take environmental protection seriously, and made environmental protection a national policy. In May 1985 the State Council set up the Environmental Protection Committee, and in December of that year established the

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21 Hu Jintao: “Hold high the great banner of socialism with Chinese characteristics, struggle to seize the new triumph of building an all-round well-off society”, in the report to the Seventeenth National Congress of the CPC, October 15th 2007, Beijing: People’s Publishing House 2007.

22 Jiang Zemin: “Constructing an all-round well-off society, launching a new phase in the project of socialism with Chinese characteristics”, in the report to the Sixteenth National Congress of the CPC, <http://www.xinhuanet.com/newscenter/dyxj/sldbg.htm>.

23 Luo Gan: “An explanation of the proposals concerning structural reform of the State Council”, *People’s Daily* (March 6th 1998).

24 See the National Bureau of Statistics: “Report on national economic and social development statistics”, *People’s Daily* (February 29th 2008).

National Bureau for the Protection of the Environment. In 1987 China published "Important guidelines for the protection of China's natural environment", and in 1989 the National People's Congress passed "The environmental protection law of the People's Republic of China". In accordance with the requirements set out at the "Rio Conference" by the United Nations for all member states, in July 1992 (just one month after the Conference) the Chinese government began to compile and implement "China's Agenda for the 21st Century". This involved setting up a leadership team and an office, and an administrative centre. A working group made up of 52 ministries took on the task of setting out and implementing the specifics of the "Agenda". According to statistics published by the press office of the State Council in the white paper entitled "China's Environmental Protection: 1996–2005", from 1996 onwards China has instituted or amended over 10 laws closely related to environmental protection, including amongst others the prevention of water pollution, protection of the ocean environment, prevention of atmospheric pollution, prevention of environmental noise pollution, prevention of environmental pollution by solid waste substances, environmental impact evaluations, and the prevention of pollution from radiation. Also included are laws related to water, sanitation production, recycling, and agriculture, such as grasslands and livestock. The State Council has further instituted or amended over 50 administrative laws such as "The regulations on constructing a program for the administration of environmental protection", and published "Decisions on putting into practice a scientific concept of development and strengthening environmental protection", "Several suggestions concerning the accelerated development of the cyclic economy", "Notification of recently completed work concerning the building of an energy saving society" and other such legislative documents. Departments related to the State Council, local people's congresses and local people's governments have, in accordance with their respective powers, set out and issued over 660 regulations and local laws. At the same time as developing the law and strengthening administration, the Chinese government has continued to increase investment in environmental protection. From 1996 to 2004 China's investment in the governance of environmental pollution reached 952.27 billion Yuan, 1.0% of the GDP for the same period. In 2006 a figure for expenditure on environmental protection was officially written into the state budget.<sup>25</sup> The Seventeenth National Congress of the CPC likewise indicated that the implementation of certain important policies would form the basis for constructing an ecological civilization. These included the development of a cyclical economy, the building of an economical society, the maintenance of sustainable development and the establishment of environmental consciousness, all of which were written into official political reports.

**Social justice.** Prior to the reforms, China had a planned economy and system of people's communes commonly referred to as "large-scale collectivization with egalitarian distribution" (*yida ergong*). In this system income distribution inclined towards absolute egalitarianism, which proved to be a serious hindrance to the motivation and creativity of the workers, and hampered the rate of production. In order to overcome this, Deng Xiaoping as early as 1978 advocated that some people and some regions should be allowed to get rich first. He stated: "We should allow that some regions, some enterprises, and some workers and peasants raise their living standards first, since their incomes will be slightly higher due to the successes from their industrious efforts." He believed "this policy is of foremost importance, it is a policy that will spur on the entire national economy."<sup>26</sup> Deng Xiaoping's idea for economic reform was in fact a strategy of unequal development centered on the concept of "prioritizing efficiency while addressing fairness". Its purpose was to break away from egalitarianism and eventually achieve common prosperity. After the reform and opening policies, right up until the Sixteenth National Congress of the CPC, the Chinese state continually pursued this development strategy. It massively raised the motivation of laborers and accelerated the already rising rate of labor production, proving that it was a highly effective policy. However, the strategy of "prioritizing efficiency while addressing fairness" was only implemented to break away from egalitarianism, and was not meant to be a primary objective of economic development. Moreover, while this strategy achieved great results, its negative effects also became increasingly apparent: disparities in income, and disparities in levels of development between the eastern and western regions and between urban and rural areas were increasing all the time. This situation was

25 Press Office of the State Council: "China's environmental protection: 1996–2005", *People's Daily* (June 5th 2006).

26 Deng Xiaoping: *Deng Xiaoping Selected Works (1975–1982)*, Beijing: People's Publishing House 1983, p. 142.

reflected by a distribution of wealth with a Gini Coefficient exceeding 0.45, which set alarm bells ringing. This state of affairs immediately caught the attention of the Chinese government, and after the Sixteenth National Congress of the CPC Chinese leaders proposed the building of a “scientific concept of development” that was “people-oriented” and based on balanced development. They repeatedly emphasized the importance of paying closer attention to social fairness. Premier Wen Jiabao remarked in a straightforward manner: “Just as truth is the principle value of thought, fairness and justice are the principle values of the socialist state. Fairness and justice mean respecting every individual, protecting the legitimate interests of every individual, and creating the opportunity for all-round development for every individual under the conditions of freedom and equality. If the state’s calling is to develop the economy and to improve people’s livelihoods, then its conscience is the advancement of social fairness and justice.”<sup>27</sup> The Chinese government has adopted a series of important measures for advancing social justice. For example, it has implemented a poverty-relief strategy, and in the passed 30 years has reduced the population of people in poverty from 300 million to 20 million. It has promoted across the board a system of compulsory education for nine years. Across the whole country including urban and rural areas it has taken preliminary steps towards establishing a minimum rate of social insurance. It has begun to implement on a trial basis a balanced urban and rural development strategy. It has implemented strategies to open up the western regions, to promote and develop the regions of the northeast, and to revitalize central areas. It is advancing a new system of medical insurance, has completely abolished agricultural tax and is building and improving programs for social relief and legal assistance, amongst other things.

**Public services.** As part of the governance reforms, the Chinese government – after clarifying its public service role, and in particular after proposing its goal of building a service-oriented government – has laid increasing stress on public service, and taken many important steps to improving public services. First, it has provided more social service facilities, especially with regard to environmental protection, ecological balance, compulsory education, basic transport, public security and social welfare. These provisions have been made available through increased public expenditure. For example, in the 2008 “Government work report” Premier Wen Jiabao pointed out that the entire national education budget for the past five years amounted to 2.43 trillion Yuan, an increase of 1.26 times the expenditure for the preceding five years. Rural compulsory education has now been entirely incorporated into the budget for fiscal support. Expenditure on health and medicine for the past five years amounted to 629.4 billion Yuan, an increase of 1.27 times the expenditure for the preceding five years. Expenditure on social security for the past five years amounted to 1.95 trillion Yuan, an increase of 1.41 times vis-à-vis the preceding five years. Expenditure on physical culture projects for the past five years amounted to 310.4 billion Yuan, an increase of 1.3 times against the preceding five years. The government has also been setting up preliminary county and township public cultural services.<sup>28</sup> Second, the government has steadily relaxed its regulation of social and economic affairs and of the affairs of private citizens, and simplified its procedures of administrative approval. For example, from 2002 to 2004 the State Council has abolished and revised 1806 items. By the end of 2004, the items for approval by units of the State Council had decreased by 50.1%.<sup>29</sup> Third, comprehensive steps have been taken to cut red tape and to achieve “one-stop service”, shorten the approval procedures, and decrease administrative costs to make matters far more convenient for the people. Fourth, administrative responsibility has been strengthened, and a number of new systems of accountability and inquiry have been implemented with a view to avoiding the repeated denial of responsibility and laying blame on others – “kicking the ball back and forth” – that so often happened in the past. Suitable punishments are meted out to those government officials who breach their duties. Fifth, systems for swiftly and expediently dealing with emergencies have been set up. After the SARS crisis, the central government led the way in constructing a state system of emergency management, and required all levels of government and regional governments to progressively build up corresponding systems of crisis management. In August 2007 the Standing

27 [http://news.xinhuanet.com/misc/2008-03/18/content\\_7817295.htm](http://news.xinhuanet.com/misc/2008-03/18/content_7817295.htm).

28 See Wen Jiabao: “Government work report”, First Session of the Eleventh National People’s Congress (March 5th 2008), [http://www.gov.cn/2008lh/content\\_923918.htm](http://www.gov.cn/2008lh/content_923918.htm).

29 Press Office of the State Council: “The building of China’s democratic politics”, *People’s Daily* (October 19th 2005), pp. 1–2.



Committee of the National People's Congress officially passed the "Law on emergency response of the People's Republic of China". In addition, all levels of the state are continuing to build up a series of service mechanisms intended to satisfy the special needs of citizens. These mechanisms are designed to break through normal procedures to deal with urgent matters of public service as they arise. Sixth, the government has been working to raise the overall inclusiveness of public services, to increase poverty assistance and transfer payments, and further to direct the benefits of economic reform towards groups undergoing hardship and those in backward areas.

**Social harmony.** China's reform and opening policies have released the forces of production on a vast scale, which has rapidly raised the living standards of the people. It's just like the analogy that some people use – Mao Zedong made China independent but Deng Xiaoping made Chinese people rich. After social and economic development people have begun to have new political and economic demands, but on the other hand new problems that modernization has brought along with it have also started to become more serious. Furthermore, people want more political participation for themselves. They want society to adhere more to the principles of fairness and justice, and daily life to become more stable and ordered. They want the relations between people to become more harmonious, and for people's lives to become more harmonized with the natural environment. After GDP per capita exceeded 1,000 U.S. Dollars, Chinese development entered a new stage, and conflicts of interest became sharper and more apparent. The conflicts of interests between urban and rural areas, between different localities as well as between different individuals became more marked, and different interest groups began to take shape. The intensification of these conflicts of social interest can be seen in the continuously growing number of petitions. In particular the average yearly incidence of group petitions has increased in recent years at an alarming rate. The dissatisfaction of citizens towards the government is very serious in some areas and sectors, even to the point of clashes between citizens and the state. A serious level of mistrust has arisen and different social interest groups have been failing to cooperate with one another. The crime rate continues to rise, and it is increasingly apparent that people lack a sense of security. The above two issues converge on a single point, which is that people are more intent on pursuing social harmony. The Chinese government and leaders have reacted to this promptly, and have laid out a long-term plan for constructing a harmonious society. When the Sixteenth National Congress of the CPC proposed the long-term goal of constructing an all-round well-off society, they essentially advocated that society must become more harmonious. The Fourth Plenary Session of the Sixteenth National Congress proposed the goal of building of a harmonious socialist society. The Sixth Plenary Session of the Sixteenth National Congress then passed the "Decisions by the Central Committee of CPC on several important questions concerning the construction of a socialist harmonious society". This momentous ruling set out the basic meaning of a harmonious society, as well as the policies for how it should be constructed. It specified "the construction of a harmonious society should be carried out according to the overall requirements of democracy and the rule of law, fairness and justice, good faith, vitality, stability and order, and the harmonious relationship between man and nature. In order to solve the most pressing and urgent problems relating to the interests of the people great efforts should be made to develop social projects, accelerate social fairness and justice, construct a harmonious culture, improve social administration and energize social creativity, whilst moving towards a situation of common prosperity. Society, the economy, politics and culture should all be developed in coordination with one another." This ruling determined the basic tasks and the main objectives for the constructing of a harmonious socialist society by the year 2020.<sup>30</sup> Moreover, the "Decisions" for the first time acclaimed the concept of the harmonious society as one of the essential attributes of socialism. Setting the goal for constructing a socialist harmonious society is a crucial strategy in the process of China's modernizing as a great power. The totality of socialist modernization with Chinese characteristics which consists of a unity of three aspects – the construction of a socialist market economy, democratic politics and advanced culture – is further developed to encompass harmonious society as a fourth aspect within the totality. At the same time, the concept of a

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30 Central Committee of the CPC: "Decisions on several important questions by the People's Republic of China concerning the construction of a socialist harmonious society", passed by the Sixth Plenary Session of the Sixteenth National Congress of the CPC on October 18th 2006, [http://news.xinhuanet.com/politics/2006-10/18/content\\_5218639.htm](http://news.xinhuanet.com/politics/2006-10/18/content_5218639.htm).

harmonious society also becomes a main point of reference for evaluating the performance of all levels of the Chinese state and the democratic governance of society as a whole.

**The integrity of officials.** From an economic point of view, China's reform and opening is a process whereby the socialist market economy gradually replaces a planned economy and is then continuously improved. However, during this process corruption and special privileges among officials have continued to be a serious problem. This can largely be explained by the "dual-track economy" which existed for a long time, the monopolization of resources, the weakness of the legal system and influences from traditional culture. According to statistics, since the start of the reform and opening policies procuratorial organs examining criminal cases at all levels investigated over 1.029 million cases of bribery involving over 584,000 people. Of these, around 41,000 were officials at the county level, and over 1,400 were officials at the level of prefecture or above.<sup>31</sup> Serious political corruption increases transaction costs substantially and hence directly raises public expenditure. It also wastes state money and impacts upon investor confidence. It is damaging to the rule of law, and causes the general mood of society to degenerate. It undermines public morality, is harmful to social justice and weakens the legitimacy of public authority. Therefore, keeping corruption in check and building a government of integrity has been a key part of China's state governance reforms since the start of the reform and opening policies. In setting up institutions for an honest government, the Third Plenary Session of the Eleventh National Congress of CPC held in December 1978 established the Central Commission for Discipline Inspection of the CPC. In September 1983 the Audit Administration of the PRC was set up, and in November 1986 at the Eighteenth Meeting of the Sixth National People's Congress it was decided to restore the Ministry of Supervision and organs of inspection and supervision at all levels of people's governments. In January 1993 the Central Commission for Discipline Inspection of the CPC set up a bureau for cooperating with the Ministry of Supervision, and in 1996 the Central Commission for Discipline Inspection and the Ministry of Supervision began a trial patrol system. In 2003 the Central Commission for Discipline Inspection and the Organization Department of the CPC officially set up the patrol system, and in September 2007 established the National Bureau of Corruption Prevention. A set of anti-graft and corruption prevention laws and corresponding regulations have been enacted or revised. These include the "Penal Code", the "Law of Criminal Procedure", the "Law on Administrative Procedure", the "Law on Administrative Licensing", the "Law of Administrative Review", the "Law on Lawyers", the "Law on Administrative Supervision", the "Law on Civil Servants", the "Auditing Law", the "Government Procurement Law", and the "Law on the Supervision Function of the Standing Committee of the National People's Congress". A number of systems have been set up with a view to building an honest government, including the declaration system on cadre income, the system for the integrity and self-discipline of party members and cadre, the system of people's supervisors, the informing system for the masses, the patrol system for discipline and inspection, the system of cadre exchange, the cadre responsibility system, the system for making public affairs transparent, and the system of supervision by public opinion. Objectively speaking, the Chinese government is continuously increasing its anti-corruption drive, many effective measures have been adopted and great achievements have been made. However, serious corruption is a persistent problem, and keeping corruption in check and constructing a government of integrity through innovation of the system remains of crucial importance for China's future governance reforms.

**Government innovation.** The government is the pre-eminent political authority in the state. It remains located at the centre of civil and political life and public governance. It is the locomotive driving society forward, while the officials are the in political the driving seat. Whether the government carries out good governance for the people continues to be a question of decisive importance. Simply put, good government is the key to good governance, and good governance can only be achieved by first implementing good government. Just as this article pointed out at the start, since the reform and opening policies the Chinese government has continually worked to reform state administration, and has already achieved undeniable

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<sup>31</sup> Professor He Zengke, based on previous years statistics in the work reports of the Supreme People's Procuratorate, which can be accessed on the website of the Supreme People's Procuratorate. See previous issues of "Supreme People's Procuratorate work report".

results. But government reform is a dynamic process. The development of a fully functioning market economy, the advance of democratic politics and the continual rising of people's political expectations combined with globalization and the impact of new information technologies inevitably presents new challenges for the government. There are still many problems with the current administrative system that need solving urgently. For example, the system for making decisions pertaining to the public interest is excessively compartmentalized. In the current system several departments set different policies on one particular issue, the responsibilities of different organs overlap and political and civil matters are not clearly divided. As such administrative costs are too high. These problems persist on a large scale. The public services provided by the government are still relatively sparse and the quality of these services is not high enough, nor are they anywhere near inclusive enough. Government decision-making is frequently carried out on too casual a basis, too many mistakes are made and policies are altered too frequently. Rules implemented are not always coherent with government policies. The legal system for government administration is still underdeveloped, and government authority needs to be more firmly established on a legal basis. "The transformation of state functions is still falling short. The state still intervenes too much in the operation of the micro-economy and social administration and public services are still inadequate. There are a number of relatively prominent problems that persist, including the overlapping of departmental responsibilities, the disjuncture between authority and responsibility, and the low level of efficiency. State organs are not organized in a completely rational way and administrative operations and management systems are still underdeveloped. Supervisory mechanisms and checks on administrative power are not comprehensive enough. The abuse of power and responsibility, the use of political power for private ends and other such instances of corruption persist."<sup>32</sup> As such despite its urgency the reform of the state administrative system at the core of the governance reforms continues to be a long-term project. The Seventeenth National Congress of the CPC, as well as the Second Plenary Session of the Seventeenth National Congress, set out a full plan for deepening the reforms to the administrative system. The most urgent aspects needing reform were identified, and the overall guiding principles for carrying out the reforms were set out. The role of the state is to be transformed on this basis. The Chinese government will continue to strengthen the legal basis for administration, and strengthen social administration and public services. This is in order to improve government innovation and construct a service-oriented government that is responsible, based on the rule of law, transparent, efficient and honest, so that "by 2020, we will have constructed a well-developed administrative system in keeping with the requirements of socialism with Chinese characteristics."<sup>33</sup>

**Intra-party democracy.** The Sixteenth National Congress of the CPC acclaimed "intra-party democracy" as "the life of the party". It set down the path for developing Chinese democratic politics such that intra-party democracy would be the impetus for developing social democracy. The Seventeenth National Congress of the CPC reconfirmed this strategy of democratic development. Besides grassroots democracy, intra-party democracy is pivotal for advancing democratic politics in China. If grassroots democracy promotes democracy from the bottom up, then intra-party democracy promotes democracy from the core outwards. The CPC is China's only ruling party, it is the leading core of Chinese politics and its position in power is determined on the basis of the clauses of the national constitution. As the actual core of political authority in China the CPC commands almost all of the state's important legislative, administrative and judicial power. In addition, as a vast party of over 70 million members the CPC draws together Chinese society's broad political, economic and cultural elite. Without intra-party democracy there would be no democracy at the level of core authority. Subjective fears notwithstanding, it can be stated categorically and objectively that without intra-party democracy real substantive social democracy would be very difficult to achieve. The course of intra-party democracy decides to a large extent the course of China's democratic governance. According to the blue print set out at the Sixteenth and Seventeenth National Congresses of the CPC, the first crucial step towards promoting intra-party democracy is to protect and actualize the democratic rights of party members, including their rights as subjects,

32 "Suggestions concerning the deepening the reforms of the administrative structure by the Central Committee of the CPC", passed by the Second Plenary Meeting of the Seventeenth Central Committee on February 27th 2008, [http://news.xinhuanet.com/newscenter/2008-03/04/content\\_7717129.htm](http://news.xinhuanet.com/newscenter/2008-03/04/content_7717129.htm).

33 Ibid.

rights to access of information, rights of expression, participation and supervision. The second is to reform and improve the party's internal democratic system focusing on elections and systems of supervision, the party committees' systems for discussing official business and policy-making, the systems of party congresses and openness in party affairs. In addition, the Seventeenth National Congress mandated that the "Great New Project of Party Construction" should be promoted in all its aspects, which is also essentially a matter of increasing intra-party democracy.<sup>34</sup>

**Grassroots democracy.** Since the reform and opening policies, grassroots democracy has always been the main focus of building democratic politics in China. Almost every National People's Congress and every party congress without exception emphasized the importance of grassroots democracy. Grassroots democracy directly relates to the vital political interests of the broad masses of the people. It is the foundation of all democratic politics and as such is of particularly great significance. Prioritizing the development of grassroots democracy and gradually promoting democracy upwards from the grassroots is also beneficial for the political stability of society, and assists in building up democratic experience. The report to the Seventeenth National Congress first of all clearly stated that the development of grassroots democracy amounted to "building the political foundation for developing socialist democracy", and determined that it should be "promoted as a matter of fundamental importance". The entirety of the report was devoted to a special exposition on the development of grassroots democracy, indicating that grassroots democracy remains a focal area of China's democratic political development. There are certain sets of problems that need to be solved urgently if grassroots democracy is to take root. These include how to deal with the relationship between the party and the state at the grassroots level, the relationship between the state and the autonomy of the people, the relationship between civil organizations and the state, and the relationship between citizens' rights and their obligations. Effectively keeping in check hindrances to democracy such as the practice of vote buying and the influence of clan power in grassroots elections, raising the democratic consciousness of citizens and their awareness of the rule of law are also urgent issues. The key issues of grassroots democratic governance reform will be the following: the reform of village and town institutions; the broadening of channels for citizens' participation; the democratizing of policy-making processes; the strengthening of democratic administration and supervision; the nurturing of grassroots social organizations; the improvement of systems of communal autonomy and vocational autonomy; the advancing of social autonomy; the broadening of the practice of recommending openly and electing directly for party and state leaders at the town and village levels, and the transformation of the style and structure of urban and rural governance.<sup>35</sup>

## 4 Concluding Thoughts

From the above historical account and forward-looking analysis, we can see that since the reform and opening policies China's public governance has undergone fundamental changes. That said, so what was it that precipitated these governance reforms? Or to put it another way, what is the actual basis of these governance reforms? Looking at the big picture, we believe that the dominant variables that have affected Chinese governance reforms the most for the past 30 years are social and economic change, the logic of political development, the formation of a new kind of political culture, and the impact of globalization.

China's economic reforms originated in political reforms, but conversely once economic reforms took off they had a major impact on the political life of society and the governance reforms. After the 1980s China began to carry out reforms of the economic system oriented towards the market, and gradually the previous planned economic system was replaced by a socialist market economy. The original single collective and national system of property changed into a system that was at once national, collective, and individual while encompassing many forms of ownership such as individual ownership, joint

34 Hu Jintao: "Hold high the great banner of socialism with Chinese characteristics, struggle to seize the new triumph of building an all-round well-off society", in the report to the Seventeenth National Congress of the CPC on October 15th 2007, Beijing: People's Publishing House 2007.

35 Yu Keping: "The key points of governance reform", *Finance and Economics Yearbook*, pp. 22–24.

venture and foreign investment. The forces of production were raised by a vast extent, and people's living standards became higher. These fundamental changes in economic life are the root causes of the changes in Chinese governance. The market economy's basic requirements are that enterprises must become independent corporations with autonomous management rights. They must be separated from the state and take on complete responsibility for profits and losses. Under the conditions of a market economy and the modern enterprise system the state cannot directly interfere in enterprise management and production but must provide an environment for stable and fair competition for the operation and management of the enterprises and for the economic interactions between them. This requires that the state fully develops the legal system and strengthen its supervision of the market. The market economy requires efficiency. It demands that the government increases its efforts to minimize administrative costs and to improve administrative efficiency. The market economy has internal limitations, and its internal logic can spontaneously lead to a growing gap between rich and poor. This requires the state to provide more public services and to establish a system of social security. Under the conditions of the market economy different kinds of interest groups begin to emerge. These need channels for expressing their interests and influencing decision-making. This requires the state to pay more attention to constructing democratic politics and social administration, and to actively nurture social organizations that are able to represent different interests. When basic subsistence and material living conditions are no longer an immediate problem and people have become affluent, their political expectations will steadily grow. As such the government must work to broaden the channels for citizens' participation and let citizens enjoy more democratic and administrative power.

Political development has its own internal logic, and this internal logic determines to a significant extent the direction and the outcomes of the governance reforms. China is a developing power with quite a backward economy and culture. Economic development is the most important task of the reform and opening project, while the political stability of society is the precondition for economic development. Therefore "stability above all" is a general principle of China's governance reforms. It determines China's governance reforms and the path of "gradual reform" or "incremental reform" which must be followed. In this process of changing governance there may from time to time be events that break new ground, but as far as overall governance is concerned there cannot suddenly be a complete discontinuity. The CPC is the central force pushing forward the changes in China's governance, and the changes in the CPC itself impact decisively on this process of change. Since the reform and opening policies the biggest change in the CPC itself has been its gradual transformation from a revolutionary party to a ruling party. The substance of this change has been the transformation of the party's objective from that of struggling to establish the regime to maintaining that regime. These momentous changes have been carried out on many fronts – involving the party's social base, organizational structure, leadership style, policy guidelines, strategy, work tasks and ideology. The transformation from a revolutionary party to ruling party presents many challenges to the party and the state.<sup>36</sup> The key to whether or not a revolutionary political party is able to realize this transformation is whether or not the party's objectives remain consistent throughout the transformation, and whether it is able to keep with the times with regard to its mass base, organizational structure, leadership system, policy guidelines, strategy, work style and ideology. The CPC, already having undergone this transformation, clearly recognized and did not in any way shirk from the fact that its position as a ruling party was not just a given, and once achieved could not be taken for granted.<sup>37</sup> Its position as a ruling party can only be maintained and consolidated through continual governance reform, increasing its capacity to govern and administrate society while satisfying the continually rising material, spiritual and political demands of the broad masses of the people.

The change in political ideology determines the direction of the reforms of Chinese governance. Although the governance reforms are largely just the technicalities of the political reforms, all the governance reforms generally speaking embody certain political values, and are entirely carried out under the

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36 Jiang Zemin: "Directives on the decisions of the draft work report to the Sixteenth National Congress of the CPC", *Jiang Zemin Selected Works*, vol. 3, Beijing: People's Publishing House 2006, p. 439.

37 "Decisions by the Central Committee of the CPC concerning strengthening the party's governing capacity", passed at the Fourth Plenary Meeting of the Central Committee of the Sixteenth National Congress of the CPC on September 19th 2004. See *People's Daily* (September 26th 2004).

guidance of certain political concepts. Therefore the changes in ideology and political values directly impact upon the governance reform process. From ancient times onwards China has always paid heed to ideology, and ideological change has often heralded political change. Deng Xiaoping, in driving forward and leading the reform project, believed that changes in people's way of thinking was the precondition for China's entire reform project, and hence made "the emancipation of thought" the foremost task of the reform movement. He said: "If we don't break the rigid ways of thinking, and if we don't thoroughly emancipate the thinking of the cadres and the masses, there is no hope for the Four Modernizations".<sup>38</sup> To put it simply, the emancipation of thought allows people to break away from the old dogmas and old ways of thinking to propose new ideas and theories that are coherent with social progress and the requirements of the times, and to use these new ideas and concepts to guide social practice. The fact of China's over 30 years of reform is full proof that changes in ways of thinking are intimately related to social and political progress. In a certain sense, the process of China's reform and opening is a time of collision between new and old ways of thinking. It is a process whereby a new thought triumphs over an old thought and thus spurs on social progress. Broadly speaking, since the reform and opening policies the CPC's greatest theoretical innovation has been developing the theoretical system of socialism with Chinese characteristics including Deng Xiaoping theory, the important ideas of the "Three Represents" and the "Scientific Outlook of Development". The new concepts and values of governance discussed below have transcended traditional political thought and impacted sharply on social and political life in post-1978 China to forcefully push forward the progress of China's democratic politics. These concepts include human rights, rule of law, governance, good governance, good government, constitutionalism, legitimacy, people-oriented governance, civil society, harmonious society, political civilization, global governance, government innovation, incremental democracy, transparent government, responsible government, service-oriented government, efficient government.<sup>39</sup> Some of these political concepts were ignored in the past or were criticized as being capitalist in ideology. Others have newly emerged since the start of the reform period. Whether these concepts originated in Chinese traditional thought, Marxist theory or Western political thought they all deeply embody freedom, equality, justice, harmony and other core values of human society.

We are currently in an era of globalization, a world historical process of transformation. Its basic characteristic is to produce worldwide a set of intrinsic, inseparable interconnections that continually grow stronger on the basis of merging economies. Globalization first manifests itself through merging economies, but the globalization of economic life inevitably has a profound effect on all of social life including political and cultural life. In the context of globalization the reforms that are directed inwardly, and the opening up that is direct outwardly, are two indivisible sides of the same coin. Deng Xiaoping and other Chinese leaders have from the beginning compounded the domestic reforms and the opening up to the outside world into one general national policy, indicating that they firmly grasped the nature of the current era. China's economic development is of a piece with the advance of science and technology, scientific instruments and equipment, management experience, capital, resources, energy sources and the market outside China. As such China's economic development must be open to the outside world. China must participate in the process of globalization, enter the WTO and other such international organizations, host the Olympics, enter into international agreements and participate in international affairs. It must improve its domestic structure of governance so that it accords with the basic norms of international society. For example, setting up the Special Economic Zones was a breakthrough for the reform and opening policies, demonstrating that the environment for domestic governance should to a certain extent adapt to the needs of international capital. Therefore foreign management systems, value concepts and lifestyles have inevitably crept in along with the opening up of the economy. In its foreign relations China not only has introduced capital, technology and experience, but according to its situation has also adopted many value concepts and administrative systems from other countries. The establish-

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38 Deng Xiaoping: "Emancipate thought, seek truth from facts, look to the future unified as one", *Deng Xiaoping Selected Works*, Volume 2 (2nd edition), Beijing: People's Publishing House 1994, p. 143.

39 For a detailed discussion on the emancipation of thought and political progress, see Yu Keping: "The emancipation of thought and political progress", in Yu Keping's book *The Emancipation of Thought and Political Progress*, Beijing: Works of Social Science Publishing House 2008, pp. 1–24.

ment of the socialist market economy is the most important achievement resulting from learning and adopting ideas from Western economic systems. Human rights, rule of law, good governance, constitutionalism, civil society, service-oriented government, responsible government and other such concepts were originally introduced from the West. The important commitments in recent years to service-oriented government and responsible government, and the promoting of such measures as “one-stop service”, the “system of accountability”, “service commitment” and the “public hearing system” were also originally borrowed from Western countries. Looking back over 30 years of change in governance, none of the progress that has been made in China's democratic governance could have taken place without learning from and adopting the advanced achievements in political civilization made by other countries.

However, China's model of governance has its own obvious characteristics. Through 30 years of exploration since the reform and opening policies China is now creating a special governance model that is different from both traditional socialist models and Western capitalist models. Although in our opinion this model of governance with Chinese characteristics is still in its status nascendi, some of the main features of this governance model are already apparent. These include for example the concepts of people-oriented governance, and the idea that intra-party democracy drives the development of social democracy. The fact that the influence of civil society on public governance is relatively weak, and the serious problem of corruption are also features of the Chinese governance model. The following five characteristics in particular distinguish the Chinese model of governance from Western models.

First, a kind of incremental reform based on path dependence. China's political reform is a kind of incremental reform in contrast to a “shock therapy”. The essence of incremental reform lies in maximizing the interests pool of the people without damaging or depriving them of their established interests. Incremental reform not only encourages innovation and reform, but also attaches great importance to, instead of simply abandoning, the advantages of traditions. Incremental reform recognizes the fact that reform should be a gradual process, which doesn't mean it denies breakthroughs. With the evolution of political development logic, some sort of breakthroughs will eventually occur. Such “breakthroughs” are important steps towards democratization without triggering off comprehensive and sudden changes. The strategy here is “small steps will make great difference”, i.e. firstly conducting pilot reforms in some region and then implementing them to a larger sphere after gaining experiences and lessons.

Second, a pluralist structure of governance led by the party. Governance in China is already pluralist, but the organs of all levels of the CPC constitute the most important parts within this pluralist system. In Western countries it is usually the government that is the main institution of public governance. In contrast, China's public governance system is one of “the party leads the government”. In public governance, the party organs have a stronger influence than government. Where the party committee and government organs are at the same level, it is the party committee that represents the core authority and has more power in policy decisions. Compared with the party organs, the role of the government in public governance is more about executing the policy decisions made by the party. Moreover, now there are already over 3 million organizations of the CPC at all levels, a number far exceeding that of government organizations. In many social areas that do not have government organizations there is usually a party organization that carries out the responsibilities of public governance.

Third, the complicated horizontal-vertical structure of governance. China is a power with a monistic governmental structure. The central government governs the state through two systems of authority, one vertical and the other horizontal. The vertical power structure, often referred to as “columns” (*tiao*), is characterized by administration from the top-down – power works in a longitudinal direction that emanates downwards from both the central government and the provincial governments. The horizontal system of authority, often referred to as “rows” (*kuai*), is characterized by laterally organized administrative organs consisting of all regional levels of party and state organs. The combination of columns and rows constitutes the highly complex “matrix structure” of China's public authority. This matrix structure reflects the relationships between the centre and the regions, the higher and the lower administrative levels, and the relations between the party committees and the government, the party committees and

the National Congress, the government and the National Congress, as well as the relations between the different departments.

Fourth, the core value that stability is placed above everything. The protection of social stability and order is an important value and objective for all public governance. For China, a power in the process of social change, this value is of particular importance. Without social and political stability there could not be rapid economic development or secure living conditions for the people. Thus, all the leaders of China from Deng Xiaoping to the present regard “stability above all” as a core value of governance, and use this as the principle standard in evaluating public governance. In the political discourse of traditional China, the principle meaning of social stability was stability of the regime and the status quo. Since the reforms, such traditional notions of stability have undergone substantial changes. Social stability increasingly emphasizes the importance of public order, and the concept of “dynamic stability” based on “fluidity” has gradually begun to replace a “static stability” based on “barriers”. The traditional notion of static stability was essentially understood as a freezing of the status quo, and the maintaining of the existing order through oppressive means. The modern notion of dynamic stability is essentially understood as balance within progression, and the maintaining of a new balance through continual adjustments. The essence of dynamic stability is to use a new balance to replace an old balance, and to make order transform from a stasis into a kind of process. The report to the Fifteenth National Congress of the CPC expressed just this kind of dynamic stability as “advancing reform and development within social and political stability, achieving social and political stability within reform and development”.<sup>40</sup>

In the end, both rule of law and rule of man are important elements of governance. In any public governance, both the system itself and the individuals working within the system are bound to have important effects. However in the case of China, which lacks a basis in rule of law in its political and cultural traditions, the effect of individuals is of particular importance. After the reform and opening policies China attached increasing importance to rule by law, and in the 1990s officially proposed the objective of constructing a socialist state on basis of the rule of law, and in fact made great progress in this respect. Yet, China nevertheless has a tradition of rule of man that has lasted over 2,000 years, and the establishment of the rule of law will take a very long time. During this time rule of man will continue to play a large role in much of the work of public governance and will even have a stronger influence than the rule of law. The authoritative documents, policies and directives from the party and the government and the speeches, reports, and instructions from the higher to lower levels of the party and government leadership at all levels still largely function by way of the “unwritten rules” of political life, and these still feature strongly in the activities of governance. If public governance is to achieve the best results, it is necessary for public administrators to realize the practical importance of rule of man. As far as China’s public governance is concerned, finding an appropriate balance between rule of law and rule of man constitutes an important step towards better governance.

The ultimate aim of Chinese governance reform is to achieve good governance. According to our understanding, there are 10 elements of good governance: 1) *Legitimacy*. Social order and public authority should be consciously recognized, and should be yielding in nature. 2) *Rule of law*. The law should become the highest standard in public government administration, and all individuals should be equal before the law. 3) *Transparency*. That is, open access to political information. 4) *Accountability*. Administrators must take on responsibility for their own actions. 5) *Responsiveness*. Administrators and the administrative structure must react promptly and responsibly to the demands of citizens. 6) *Effectiveness*. Administration should have a high level of efficiency. 7) *Participation*. Citizens should enjoy broad political and social participation. 8) *Stability*. Within China there should be peace, lives should be orderly, residents should be secure, citizens should be united, and public policies should be coherent. 9) *Integrity*. Government officials should be committed to the public and law-abiding, upright and honest. 10) *Justice*. Citizens should have equal political and economic rights regardless of sex, class,

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<sup>40</sup> Jiang Zemin: “Hold high the great banner of Deng Xiaoping theory, let the building of socialism with Chinese characteristics advance towards the 21st Century” in the report to the Fifteenth National Congress of the CPC, *People’s Daily* (September 12th 1997).



nationality, cultural level, religion or political beliefs.<sup>41</sup> According to these criteria, although China's governance reforms have seen momentous progress since the start of the reform and opening policies there remain many obvious shortcomings and deficiencies. For example, the government does not have a high level of public credibility. The rule of law is not sufficiently established. The level of official corruption and special privileges is still at a peak level. State public services are seriously insufficient. The mechanisms of dynamic stability are not yet fully developed. The disparity in social incomes continues to increase. Government accountability is not yet established and administrative costs are excessively high while efficiency is low. The role of civil organizations in public governance is weak, public participation is not guaranteed, and the instituting of public policies is not democratic enough. All of these problems present major challenges to China's democratic governance. The future of China's governance will depend to a large extent on solving these problems effectively. However, whatever political reforms China carries out, and whatever kind of governance model takes shape in China in the future, for China's far-sighted leaders the objectives of the governance reforms are already very clear: democracy, rule of law, fairness, responsibility, transparency, integrity, efficiency, and harmony.

*(Translation by Jane Hayward)*

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41 See Yu Keping: *Democracy and the Gyroscope*, Beijing: Beijing University Press 2006, pp. 84–86.

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