

Government Personnel Allowance Systems in Contemporary China and the Renzong Period

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January 2016

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Abstract

This thesis considers government personnel allowance systems in contemporary China and the Renzong period. The main aim is to prove that the GPAS should be the main focus of future reforms to public institutions in contemporary China. This research project is significant in the context that the government of China is experiencing a crisis of confidence which is closely linked to the GPAS. This thesis has critically discussed four research questions: why merely cutting FSP cannot reduce the public administrative cost; what disadvantages the GPAS has; how the GPAS is linked to corruption; and why the previous reforms of the GPAS failed. The answers to these questions make this project especially distinctive in its field, because it crosses two disciplines: public administration and ancient Chinese history. Assessing the GPAS of the Renzong period of the Northern Song Dynasty on a comparative basis fulfills the research aim. Hence this thesis can confidently conclude that contemporary China should deepen the reforms of the GPAS.

Statement of Authorship

I, **Shengyuan Zhang** confirm that the work presented in this research proposal has been performed and interpreted solely by myself except where explicitly identified to the contrary.

I confirm that this work is submitted in partial fulfilment for the degree of **Master of Research** in **Macquarie University** and has not been submitted elsewhere in any other form for the fulfilment of any other degree or qualification.

Signature:

A handwritten signature in black ink, appearing to be '张圣元' (Zhang Shengyuan), written over a light blue horizontal line.

Dated: 15/01/2016

Chapter 1: Introduction

This thesis considers government personnel allowance systems in contemporary China and the Renzong period. Contemporary China has the largest government in the world. Its public institutions, called “*Shiye Danwei*” in Chinese, constitute the administrative organs of the government in contemporary China. There are about 1.3 million public institutions, with more than 30 million current employees and 9 million retirees. Three-quarters of these employees work or worked in the public sectors of education (like schools), public health (like hospitals), and agrotechnical stations.¹ Accordingly, their salaries and welfare are supported by government finance. For the purpose of this thesis, government employees, public institutions employees, and retired government/public institutions employees will be referred to collectively as “government personnel”. While “government personnel” in China is a similar concept to “government employees” in Western countries, the main difference between them is that, unlike the West, Chinese government personnel includes retired personnel.

The rapid and complex development of society, largely driven by the state, has led the government to a financial crisis: by 2010, the Chinese government had to provide for about 54 million government personnel, many of whom demand costly allowances.² This thesis considers this problem from the perspective of the government allowance system, and uses a historical comparison with dynastic China to analyze its sources and possible consequences.

Government employment is one of the most attractive occupations in China because of its generous remuneration.³ The remuneration package is characterized by ‘low wages,

¹ Sun Qian. (2012, April 19). *Shiye danwei 5 nian nei boli jingying zhineng sheji renshu chao 4000 wan*. Retrieved January 10, 2016, from <http://theory.people.com.cn/GB/49150/49152/17694405.html>

² Cheng Wenhao., & Lu Dapeng. (2010). *Zhongguo caizheng gongyang de guimo ji yingxiang bianliang-jiyu shinian jigou gaige de jingyan*. *Zhongguo Shehui Kexue*, (2), 84-102.

³ Lin Lu., & Xiong Xu. (2013). *Guokao 20 nian baokao renshu zhang 344 bei jingzheng bili zhang jin 8 bei*. Retrieved January 4, 2016, from <http://edu.people.com.cn/n/2013/1107/c1053-23457564.html>

high allowances, and extensive welfare'.⁴ In the thesis, this system is referred to as the 'government personnel allowance system' (hereinafter GPAS). The 'allowance system' refers to the system providing subsidies, allowances and welfare (such as benefits in kind, currency, services, privileges, and the like), distinct from wages, to government personnel. It would be helpful to add the Chinese terms of the personal allowance system here to help readers to understand. The aforementioned types of allowances are called as "*jingtie*", "*butie*" and "*fuli*" in Chinese. The distinctions among these terms are not clear and they are often overlapped. Thus, all of them are collectively called as allowances in this thesis for the sake of discussion.

The GPAS forms the main part of Chinese public administrative cost. The cost of the GPAS has increased by about 30% every year since the late 1990s.⁵ Moreover, the GPAS is not well managed and supervised, so it breeds waste and corruption.⁶ It has become a great drain on government revenue. The ratio of public administration cost to total fiscal expenditure rose from 4.71% in 1978 to 19.03% in 2003.⁷ Since the GPAS is not put on a tight budget, the spending on the improvement of people's livelihood is limited. For example, the proportion of total fiscal expenditure for education dropped from 17.84% in 1996 to 11.82% in 2006, even though revenue increased rapidly in that time. Similarly, the public health expenditure only accounted for 3.56% in 2003-2007.⁸ It is clear that the common people's interests have been hurt because of the increasing expenditure on public administration, and consequently, the Chinese government has lost popular trust. In order to solve this crisis of confidence, the premier Li Keqiang promised that the government would cut the number of government personnel and the cost of government personnel welfare.⁹

⁴ Su Hainan. (2008). *Zhongguo gongwuyuan fuli zhidu gaige* (1st ed.). Beijing: Zhongguo caizheng jingji chubanshe.

⁵ *ibid*

⁶ Gong, T., & Wu, A. (2012). Does Increased Civil Service Pay Deter Corruption? Evidence from China. *Review of Public Personnel Administration*, 192-204. Retrieved November 25, 2015, from <http://rop.sagepub.com>

⁷ Su Hainan. (2008). *Zhongguo gongwuyuan fuli zhidu gaige* (1st ed.). Beijing: Zhongguo caizheng jingji chubanshe.

⁸ Yu Ruidong. (Ed.). (2008, April 4). *Liaowang: zhongguo minsheng caizheng zhichu zengfu jiaogao daiyou huaizai xinghzi*. Retrieved January 4, 2016, from <http://www.chinanews.com/cj/plgd/news/2008/04-04/1212004.shtml>

⁹ Yang Lina. (2013, March 17). Chinese premier asks public to supervise government. Retrieved January 4, 2016, from http://news.xinhuanet.com/english/china/2013-03/17/c_132240073.htm

Using the classification of Chinese Communist Party (CCP), Contemporary China began at the end of the 1970s¹⁰, a period referred to as the ‘reform and opening-up period’ (*gaige kaifang shiqi*). Given the small amount of data available relating to the 1970s, the thesis will be limited to the period from 1980 onwards. The financial pressure caused by the GPAS is an issue of great concern among political leaders and researchers in modern China. In 1998, the former Premier Zhu Rongji noted that overstaffing in government had consumed large amounts of revenue. Therefore, the Chinese government conducted seven institutional reforms aimed at cutting the number of government personnel. The government also tried to reform the GPAS to save money. However, all these reforms have failed and the overall progress was much less satisfactory than expected. In the meantime, both the number of government personnel and the expense of the GPAS has kept increasing rapidly.¹¹

The problems caused by the GPAS are issues of great concern to many political leaders and are of great interest to researchers in contemporary China, but these problems are not new in Chinese history. The Renzong period of the Northern Song Dynasty (960-1127) had a great similarity to modern China in this respect. The Northern Song was the richest of all ancient Chinese dynasties, and China was also the richest country in the world in its time¹². Renzong, who reigned from 1033 to 1063, was the fourth emperor of the Northern Song.

Just like the contemporary Chinese government, the government of the Northern Song also employed a great number of government personnel and provided them with very generous remuneration packages. Although the government’s revenue increased in the Renzong period, the cost of the GPAS still resulted in great financial pressure to the

¹⁰ Liu Qian. (Ed.). (2011, May 4). *Zhongguo gongchandang xinshiqi jianshi*. Retrieved January 4, 2016, from <http://www.zgdsw.org.cn/GB/218994/219014/14824754.html>

¹¹ He Ying. (2008). *Zhongguo zhengfu jigou gaige 30 nian huigu yu fansi*. *Zhongguo xingzheng guanli*, 282, 21-27.

¹² Frank, A., & Liu Beicheng. (2008). Chapter 2 *Quanqiu maoyi de xuanzhuang muma*. In *Baiyin ziben: zhongshi jingji quanqiu hua zhong de dongfang* (2nd ed.). Beijing: Zhongyang bianyi chubanshe.

government. The GPAS also bred high levels of corruption in the Northern Song. Consequently, in order to maintain the extremely expensive GPAS, the government of the Northern Song sacrificed the people's interests by transferring the financial burdens to the people. Ancient Chinese historians argue that the problems of Northern Song Dynasty can be summarized in five phrases: 'excessive officials, excessive troops, government overspending, poverty, and military weakness' (*rongguan, rongbing, rongfei, jipin, jiruo*).¹³

'Poverty' does not mean that the national economy was undeveloped or that fiscal revenue was low; a more relevant interpretation of "poverty" is the serious deficit in public finance. The Northern Song's government could not improve people's livelihoods due to the shortage of funds, so citizens lived in an insecure situation. The Renzong period was an important stage in the development of the GPAS and its consequent problems.

¹⁴ Reforms aiming to reduce the public administrative cost in Northern Song were unsuccessful; instead those problems kept worsening. These problems caused by the GPAS created serious long-term consequences: the fiscal deterioration and government destabilization of the late stages of the Northern Song Dynasty, further explained below.

In the Renzong period, about 30% of public expenditure went to the pay of officials, making it the second primary expenditure in Northern Song (the first being defense expenditure). Since the fiscal pressure continued to worsen, added to the military confrontation between Northern Song and its rival the Western Xia Dynasty, the government of Renzong had no choice but to force common people to pay more taxes and to bear more corvee (unpaid labour on government projects), which greatly damaged the economy. Peasants bore the majority of agricultural tax and corvee because the upper classes, made up mainly of bureaucrats and gentries, were exempted

¹³ *ibid.*

¹⁴ Qian Mu. (1940). Chapter 31: Pinruo de xin zhongyang. In *Guoshi dagang* (pp. 257-280). Shanghai: Shangwu yinshuguan.

from these. These burdens were too heavy for many peasants so they evaded the duties in several ways: giving up farm production and engaging in trading, becoming monks to be exempted from tax and corvee, or even becoming fugitives. This caused a decline in agricultural production and increased social unrest in the late stages of the Northern Song.¹⁵

As regards industry and commerce, the Renzong government increased the rate of business tax and strengthened its monopoly on important goods such as salt, tea, and wine. Although this raised revenue from industry and commerce in the short term, it damaged long-term economic development. Moreover, the tax collectors often apportioned certain taxes—salt tax, liquor tax, and business tax—to common people when they were unable to achieve their targets for taxation, which worsened citizens' finances.¹⁶ Dispossessed peasants became an important source of insurgency in the late stages of Northern Song, which destabilized the government.

By the middle of the Renzong period, the fiscal pressure had become increasingly critical. Fan Zhongyan, a political leader of the Renzong period, led the first comprehensive reform in the period, attempting to solve the fiscal crisis through reducing the administrative cost. Although Renzong approved Fan's reform proposal, he quickly succumbed to the pressure from the bureaucratic class and terminated the reform.

When the emperor Shenzong started to reign in 1067, the fiscal crisis worsened and a new reform movement became the top priority. Wang Anshi, prime minister of Shenzong's government, led a second comprehensive reform.¹⁷ Unlike the reformists of the Renzong period, Wang Anshi and his followers believed that opening up new

¹⁵ Jian Bozan. (eds) (1961). *Wudai Shiguo Song Liao Jin Yuan*. In *Zhongguoshi gangyao*. (pp. 277-309) Beijing: Renmin chubanshe.

¹⁶ Ma Duanlin. (1307). *Zixu*. In *Wen xian tong kao*. [Wiki Version]. Retrieved from <http://ctext.org/wiki.pl?if=gb&chapter=54250&remap=gb#p20>

¹⁷ Qian Mu. (1940). Chapter 31: *Pinruo de xin zhongyang*. In *Guoshi dagang* (pp. 257-280). Shanghai: Shangwu yinshuguan.

sources of revenues, rather than reducing cost, should be the principle of a successful reform. Wang's proposal had Shenzong's full backing, and was comprehensively implemented, but poor implementation of this policy by local officials further damaged the economy and increased the burdens of common people.¹⁸ The internecine disputes which stemmed from this damaged the political stability of the state, while the fiscal situation continued to worsen.¹⁹

This combination — the failure of reforms to allowance systems, ongoing fiscal detriment, and internal debate and government destabilization — clearly contributed to the downfall of Northern Song. Crucially, all of these problems can be traced back to the cost of the GPAS in the Renzong period.

The research in this thesis is important because of the urgent need for an effective way to decrease the financial pressure caused by the GPAS in modern China. By exploring ancient Chinese history, this thesis develops novel arguments relating to the problems outlined above

Hypothesis and research aims

Based on the historical background of the failure of the Renzong Period outlined above, and due to the great similarities between that period and contemporary China, it is hypothesized that simply downsizing the government body is unlikely to achieve results. Rather, reforms should reduce the cost of the GPAS.

The research aims to support this hypothesis by demonstrating that the GPAS should be the main focus of future institutional reforms in China. Specifically, there are four issues to be discussed: Chapter 2 considers the reasons why cutting government

¹⁸ Yi Zhongtian. (2006). *Wang Anshi bianfa weishenme shiyuyuanwei*. Retrieved January 14, 2016, from <http://theory.people.com.cn/GB/49157/49163/4658507.html>

¹⁹ Wang Shengduo. (1995). Part 1 Chapter 3: Beisong shuaiwang shiqi de caizheng. In *Liangsong caizheng shi* (1st ed., pp. 78-115). Beijing: Zhonghua shuju.

personnel cannot be successful in China; Chapter 3 outlines the GPAS, describing its types of allowances, its operation, its sources of funding, and its disadvantages; Chapter 4 discusses the corruption associated with the GPAS; and Chapter 5 reviews attempted reforms to the GPAS.

This thesis is a comparative study. Drawing on historical evidence, experiences, success and failures of governments of ancient time strengthens its discussion of contemporary issues and its suggestions for reform.

Literature Review

The GPAS is an important source of the Chinese government's recent financial pressure. It also breeds inequity and corruption, which worsens these financial problems. Financial pressure has been a major driving force behind previous public institutional reforms in China.²⁰ However, political leaders and researchers have mainly concentrated on reducing the size of government, ignoring the impact of the GPAS. The ongoing increase in government personnel demonstrates that the current reforms have failed. Such failures have made Chinese political leaders and researchers reconsider the direction of institutional reforms, with some researchers, like Su Hainan, suggesting reforms to the GPAS.²¹

The top leadership fears that China will encounter an economic and social crisis if reforms fail again.²² The historical comparison supports the contemporary leadership's assumption about possible crises. The Renzong period had similar problems, with a political crisis occurring after reforms were defeated, so it is probable that contemporary China will encounter crises if it fails to reform the GPAS.

²⁰ He Ying. (2008). Zhongguo zhengfu jigou gaige 30 nian huigu yu fansi. Zhongguo xingzheng guanli, 282, 21-27.

²¹ Su Hainan. (2008). Zhongguo gongwuyuan fuli zhidu gaige (1st ed.). Beijing: Zhongguo caizheng jingji chubanshe.

²² Renmin ribao pinglunbu: bu gaige silu yitiao. (2014, August 19). Retrieved January 5, 2016, from <http://opinion.people.com.cn/n/2014/0819/c1003-25490457.html>

The literature review below supports the hypothesis that reforms aiming to reduce the cost of the GPAS may be more likely to succeed. The scholarship in the area is limited because of the novelty of this research, and many materials referred to are from Chinese scholars.

The scale of government employment

The scale of government employment needs to be discussed first, since the financial pressure of the GPAS is caused by excess employment and high cost of the employees' allowances.

The number of Chinese government personnel reached 54 million in 2009. While this number is very large, researchers disagree whether it is actually excessive. While many researchers believe that the Chinese government is oversize, Cheng Wenhao and Lu Dapeng argue that 80.5% of the increase was in retirees.²³ Other researchers, like Wang Jian, maintain the mainstream position regarding the oversize Chinese government,²⁴ demonstrating that China's 'government personnel-GDP ratio' is almost 20 times higher than the U.S.A.'s.

As for the Renzong period, Qian Mu and Jian Bozan conclude that excessive officials caused the financial crisis of the Northern Song government. The Northern Song government officials consisted of senior officials (*guan*) and junior officials (*li*). Qian Mu states that the number of senior officials doubled in the Renzong period.²⁵ There is no accurate record of the number of junior officials, but the rapid increase of senior officials can sufficiently demonstrate the crisis of oversize government in the Renzong

²³ Cheng Wenhao., & Lu Dapeng. (2010). Zhongguo caizheng gongyang de guimo ji yingxiang bianliang-jiyu shinian jigou gaige de jingyan. *Zhongguo Shehui Kexue*, (2), 84-102.

²⁴ Zhu Guanglei., & Zhang Guang. (2006, February 21). *Zhongguo gongwuyuan "chaobiao" jin 20bei? Kexue tantao gongwuyuan guimo*. Retrieved January 5, 2016, from <http://politics.people.com.cn/GB/1026/4124916.html>

²⁵ Qian Mu. (1940). Chapter 31: Pinruo de xin zhongyang. In *Guoshi dagang* (pp. 257-280). Shanghai: Shangwu yinshuguan.

period.

The financial burdens caused by the GPAS

There is no general conclusion drawn by most experts about the scale of the Chinese government. However, most experts agree that the administrative cost of Chinese government is too high and this cost has led to heavy financial pressure.

He Ying argues that the financial burdens of the contemporary Chinese government have been an important force driving previous public administration institution reforms. For example, He highlights that the cost of public administration constituted about 30% of the total government expense in 1980, and that the proportion increased to 37% in 1991. Cheng and Lu also point out that the administrative cost accounted for 12.79% of GDP in 1998, and rose to 18.45% in 2005. Considering the rapid increase of GDP of China during those years, the increase of administrative cost is noticeable. Furthermore, administrative cost was increasing more rapidly than government revenue. These administrative costs are mainly spent on paying the salaries of government personnel. Since the government personnel payment is characterized by 'low wages, high allowances, and extensive welfare', the majority of Chinese public administrative costs are spent on the GPAS. It is safe to suggest that the GPAS is the root of the government's financial burdens.

In the Renzong period, the number of officials was high, but the cost of the GPAS was even higher. Qian Mu emphasizes that expense on government personnel's salaries (including wages and allowances) was an important source of the Renzong financial crisis.²⁶ Wang Shengduo argues that defense expenditure accounted for 70% of state fiscal expenditure, whereas government employment accounted for 30%. Although government employment was not the primary source of fiscal pressure, it was still quite

²⁶ *ibid*

significant. Wang argues that while revenue increased six times in the Renzong period, the government could barely maintain a balance between revenue and expenditure.²⁷

Other researchers, such as Zhang Bangwei, disagree with the viewpoint that the costly allowance system was the source of the financial crisis in the Northern Song Dynasty.²⁸ Zhang argues that only the senior officials enjoyed high salaries and allowances, but these were a minority of government personnel, with great income gaps between officials among different levels and regions. This does not contradict Qian Mu and Jian Bozan's viewpoint; Zhang focuses on the differences between individuals, whereas Qian Mu and Jian Bozan treat all government personnel as a whole. Income differences between individuals do not affect the costly nature of the GPAS; a principle which can also be applied to contemporary China.

Types of government personnel allowance

Many studies have discussed the types and the cost of government personnel's allowances.²⁹ In *The History of Chinese Officials' Salary System*, Huang Huixian itemizes allowances in the Northern Song Dynasty, including the Renzong period. It is clear that the allowances covered almost every aspect of the government personnel's lives. Moreover, Huang emphasizes the key feature of the system: the value of the allowances was higher than wages. This finding supports the hypothesis that GPAS was the chief source of financial burden.

Studies which provide a complete picture of the GPAS in contemporary China are rare, due to the shortage of data. The GPAS is decentralized in modern China.³⁰ Local governments are usually not willing to publicize their budgets, as this may harm their

²⁷ Wang Shengduo. (1995). Part 2 Chapter 7: Huangshi ji guanli kaizhi. In *Liangsong caizheng shi* (1st ed., pp. 443-490). Beijing: Zhonghua shuju

²⁸ Zhang Bangwei. (2014). Songchao "zui fubai" lun shangtao. [Electronic version]. *Sichuan shifan daxue xuebao*, 41, 149-155.

²⁹ Huang Huixian and Chen Feng (eds) (1996). *Zhongguo fenglu zhidu shi*. Wuhan: Wuhan daxue chubanshe.

³⁰ Su Hainan. (2008). *Zhongguo gongwuyuan fuli zhidu gaige* (1st ed.). Beijing: Zhongguo caizheng jingji chubanshe.

interests. Therefore, data relating to the GPAS can only be collected from research studies and media reports. One such study, led by Su Hainan, demonstrates the problems of the GPAS and provides some advice concerning GPAS reform. The research claims that the waste and corruption of GPAS is due to disordered management and inefficient supervision, and that informatization can help to solve this problem.³¹ Here, informatization refers to the use of new communication technologies are used to manage and supervise of the GPAS. However, it can be argued that this analysis marginalizes the importance of personnel and policy implementation under the paradigm of fragmented authoritarianism, as will be discussed in chapter 3.

Unlike the welfare systems of Western countries, which are generally centralized, the GPAS of modern China is run in a decentralized way. The size and complexity of the Chinese state, coupled with the lack of democratic and participatory structures, have led to processes of establishing allowances, setting standards, distributing allowances and financing being decentralized to local governments, government departments, and public institutions, while the central government controls the overall direction of policy. It not only causes the difficulty of management and supervision of the GPAS, but also leads to the pay differences among regions, departments, and individuals with different administrative ranks. This decentralization of power in China can be characterized as fragmented authoritarianism (FA) in China.³²

Corruption

Increased corruption is considered a major undesirable effect of the GPAS, both in the Renzong period and contemporary China. Ting Gong and Alfred M. Wu argue that feelings of relative deprivation may result in corruption or foster the conditions underlying the emergence of corruption. They believe that relative deprivation is the

³¹ *ibid*

³² Lieberthal, K., & Lampton, D. (1992). One Introduction: The "Fragmented Authoritarianism" Model and Its Limitations. In *Bureaucracy, Politics, and Decision Making in Post-Mao China* (pp. 3-31). Berkeley · Los Angeles · Oxford: University of California Press.

key social reason for corruption in China.³³ Relative deprivation theory, however, cannot explain why some individuals are more susceptible to corruption than others. They also classify the motivations for corruption further, into need-driven and greed-driven. They argue that when wages were low, government officials become corrupt to meet their living needs, whereas senior officials with higher wages become corrupt due to greed. In contemporary China and the Renzong period, it is clear that the GPAS was often abused for corruption.

Institutional reforms

The above literature demonstrates that the GPAS resulted in increased financial pressure for both governments in the Renzong period and contemporary China. Public leaders have attempted to reduce the pressure through institutional reforms. Governments in both periods made an effort to reduce the number of government personnel, but the facts show that their reforms failed. In fact, the number of government personnel and the administrative cost both rose substantially. The problems became worse after the reforms.

There are a number of reasons for these failures, such as the opposition from interest groups. However, some studies have found that ignoring the GPAS was an important cause for the failure of reforms. During the Renzong period and contemporary China, the salary and allowances of government personnel increased significantly. This is partly because public leaders tried to contain corruption by increasing the officials' salaries. However, Gong and Wu argue that the policy of anti-corruption by increasing salaries not only failed to stop corruption, but also made financial pressure worse.³⁴

Other policies also limited the success of reforms. The *fengyin* system of the Renzong

³³ Gong, T., & Wu, A. (2012). Does Increased Civil Service Pay Deter Corruption? Evidence from China. *Review of Public Personnel Administration*, 192-204. Retrieved November 25, 2015, from <http://rop.sagepub.com>

³⁴ *ibid*

period, which rewarded officials by providing their relatives with jobs in the government, is a typical case. This system existed in many dynasties in ancient China, but it was greatly developed in the Renzong period. Renzong tried to encourage the aged officials to retire through the *fengyin* system in order to maintain the vitality of government personnel. Renzong also increased the retirement pay to reward the aged officials who voluntarily retired. This led to an increase of in the number of government officials and in administrative cost, making the positions of government officials even more attractive.³⁵ In contemporary China, we see a similar policy practice when governments of different periods try to increase retirement pay. More broadly, this illustrates the difficulty of policy implementation in such a decentralized system.

Overall, then, although it is necessary to carry out institutional reforms in contemporary China as suggested by scholars, the existing research suggests that the direction of this reform needs to be reconsidered, with direct reforms to the GPAS being the most practical option.

Gaps in the literature

A review of the extant literature shows that studies focusing on the GPAS are lacking. While there are a number of scholars who studied reforms to the GPAS, they often only focused on a specific sub-system of the GPAS. As for those scholars who have researched the GPAS as a whole, they have not provided sufficient explanation as to why the previous reforms of GPAS were failed.

There are many historical studies about the scale of government employment and the GPAS in the Renzong period. However, these historical studies discuss the Northern Song only. The Northern Song dynasty is often used as a comparative basis for

³⁵ You Biao. (2001). Chapter 2: Song Renzong shiqi guanyuan yinbu zhidu de bianqian. In *Songdai yinbu zhidu yanjiu* (1st ed.). Beijing: Zhongguo shehui kexue chubanshe.

contemporary China in studies comparing the scale of government employment, the salary of government personnel, and the corruption associated with the GPAS. However, these studies have a disadvantage that they compare the two periods in an isolated rather than a comprehensive way. For example, some research projects only compare the government sizes without discussion about GPAS and the relevant corruption. As such, there exists a gap in the literature which this thesis attempts to fill. It will provide a comprehensive discussion about the scale of government employment and the institution reforms to the GPAS in several crucial aspects, including types of allowances, administration, sources of funds, corruption associated with the GPAS, and reforms to the GPAS during both periods. The discussion will be situated in the conceptual framework outlined above, specifically concentrating on theoretical ideas relating to corruption and public governance (for example, need- and greed-based corruption and fragmented authoritarianism).

Methodology

This research project is a cross-disciplinary one, combining the public administration sub-discipline of political science with ancient Chinese history. Comparative, quantitative and correlation analysis research methods were applied. The research was divided into three stages.

First, the information, data and figures were collected from multiple sources. For the Renzong period, the sources of information include historical literature and relevant research findings in the past decades. For contemporary China, the sources include Chinese government official reports, recent study findings and reports of official newspapers such as *People's Daily*. Secondly, the collected data were analyzed: for example, types of allowance and increasing rates of government personnel were tabulated. These data demonstrate the high degree of similarity of the phenomena under discussion between the Renzong period and contemporary China. It should be noted that the official reports of Chinese government are often very general in nature and even

incomplete. However, the situation is changing due to the deepening of reforms. The transparency of public administration has become clearer and more details are available for the public. As a result, a clearer picture of the GPAS, its associated corruption, and the factors causing the failure of previous institutional reforms, can be generated.

The problems with GPAS existed in the Renzong period are similar to what people have seen in modern China today. The comparison between these two periods is significant as it provides a new thinking for the study of the reform of GPAS in China. In fact, many administrative management systems in modern China are resulted from historically continuity of Chinese political economic systems. This study is a preparation for future research in this field because it is believed that the GPAS of modern China began to vary as it continued to keep its tradition.

Chapter 2: The Scale of Government Personnel in Contemporary China and the Renzong Period

Introduction

Downsizing the government is the current focus of public institution reforms in China. In 2013, the Chinese Premier Li Keqiang made a promise that the government payroll would only shrink and not expand. From the 1980s onwards, the Chinese government has performed seven institutional reforms to achieve this goal. However, the evidence shows that these efforts were defeated, with government personnel increasing greatly after these reforms. Thus, this chapter will argue that reforms concentrating on cutting government personnel cannot reduce the relevant financial burdens, because this approach is unrealistic. It also develops the hypothesis that reforming the GPAS may be a new direction to reduce the financial pressure.

The scale of government personnel must be discussed before considering the GPAS, for three reasons. First, the cost of GPAS is determined by two factors: the number of government personnel and the value of their allowances. The GPAS is an important cause of the Chinese government's financial pressure, but readers cannot fully understand the pressure without a basic knowledge of the government size. Second, the thesis will discuss the demands of the previous institutional reforms in the context of the presupposition that China has an oversize government. Therefore, understanding the scale of government personnel in the past decades is necessary. Third, the thesis will discuss the reasons why the efforts of downsizing the government were defeated. This question can be answered through the analysis of the rapid growth of government personnel.

The theory of influential variables of the scale of government employment, developed by Cheng and Lu, can explain why the Chinese government personnel has kept increasing since 1980s even though the leadership has worked hard to reduce it. In

parallel, the idea of ‘excessive officials’ in the Northern Song Dynasty, developed by Qian Mu, can explain the increase of government personnel in the Renzong period.

Data from contemporary China and the Renzong period will then be analyzed to support the argument that downsizing the government is very difficult in modern China and ancient China. Followed by the analysis, the two periods will be compared to provide new insights into the current reforms.

Comparing the GPAS of these two periods is an important part of the development of the arguments of the thesis. The validity of the comparison must be demonstrated in advance, otherwise the comparison would be meaningless. The comparison is valid because the aforementioned problems are closely related to similar economic developments in both periods, summarized below. The governments of both periods implemented similar schemes to develop economy and increase fiscal revenues. Their efforts were quite successful in short-term, and the costly GPAS could be maintained in both periods due to the rapid increase of fiscal revenues. However, it also set the scene for the long-term crisis because it resulted to the lack of determination of the leadership to reform the GPAS in both periods before the problem became out of control.

These economic developments of both periods are tabulated below to briefly demonstrate their great similarity. The chief factor linking these developments was the growth of industry and commerce. In Northern Song, the tax from industry and commerce became the primary source of government revenue for the first time, just as modern China has made a transformation from an agricultural country to an industrial country.³⁶ Therefore, comparing the GPAS between these periods may provide new insights to researchers and policy-makers.

Schemes	The Renzong Period	Contemporary China	Effects
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³⁶ *Quxiao nongyeshui*. (2013). Retrieved January 4, 2016, from http://www.gov.cn/test/2006-03/06/content_219801.htm

1. Rural land system	‘Non-resist annexation’ policy (<i>bu yi jianbing</i>) ³⁷	The Contracting of Rural Land (<i>tudi chengbao fa</i>) ³⁸	To transfer surplus labor from agriculture to industry and commerce.
2. Rural production system	The tenant farming system ³⁹	The ‘household responsibility system’ (<i>jiating lianchan chengbao zeren zhi</i>)	To increase the productivity in rural areas.
3. New individual tax law	‘Two-tax law’ (<i>liang sui fa</i>) ⁴⁰	The Individual Income Tax Law	To encourage initiatives in production
4. Free migration	Free migration ⁴¹	Free migration ⁴²	To transfer surplus labor from agriculture to industry and commerce; to promote urbanization.
5. Paper currency circulation	Paper currency circulation ⁴³	Paper currency circulation ⁴⁴	To boost the advancement of commerce.
6. Urbanization	Large cities were formed as commercial centers ⁴⁵	Urban population accounted for 51% of the total population in 2011 ⁴⁶	To benefit the development of industry and commerce by supplying labor and consumers.
7. Opening up to	Opening up to outside	Reform and Opening Up	To promote the foreign

³⁷ Qi Xia. (2000). Tangsong zhiji shehui jingji guanxi de biange jiqi dui wenhua sixiang lingyu suo chansheng de yingxiang. *Zhongguo jingjishi yanjiu*, (1), 95-108.

³⁸ *Zhongguo renmin gongheguo zhuxiling (di 73 hao) zhongguo renmin gongheguo tudi chengbaofa*. (2002, August 29). Retrieved January 4, 2016, from http://www.gov.cn/gongbao/content/2002/content_61729.htm

³⁹ Qi Xia. (2000). Tangsong zhiji shehui jingji guanxi de biange jiqi dui wenhua sixiang lingyu suo chansheng de yingxiang. *Zhongguo jingjishi yanjiu*, (1), 95-108.

⁴⁰ *ibid*

⁴¹ Fang Xing. (1995). Zhongguo fengjian shehui nongmin de jingying dulixing. *Zhongguo jingjishi yanjiu*, (1), 8-21. Retrieved from <http://www.hprc.org.cn/pdf/ZJSY199501001.pdf>

⁴² Duan Chengrong. (2008). Huji zhidu 50nian. *Population Research*, 32(1), 43-50.

⁴³ Wang Shengduo. (1995). Part 2 Chapter 5: Huobi yu caizheng (fu guanbianqian). In *Liangsong caizheng shi* (1st ed., pp. 361-394). Beijing: Zhonghua shuju.

⁴⁴ Zhang Yanguo., & Peng Baiyun. (2013, November 1). *Lun xinzhongguo liangpiao zhidu de xingfei*. Retrieved January 4, 2016, from <http://www.hprc.org.cn/gsjj/jjs/jjzhd/201404/P020140421574132402025.pdf>

⁴⁵ Liu Qi. (2015, November 9). *Zhongguo sanci chengshihua langchao de qishi*. Retrieved January 4, 2016, from http://theory.gmw.cn/2015-11/09/content_17658695.htm

⁴⁶ National Data. (n.d.). Retrieved January 4, 2016, from <http://data.stats.gov.cn/search.htm?s=城镇人口>

outside world	world ⁴⁷		trade.
8. Public administration	Fragmented authoritarianism	Fragmented authoritarianism	To affect the development of the GPAS.

Table 1: Comparison of schemes to develop economy and increase fiscal revenues in the Renzong period and contemporary China.

Theoretical basis

Influential variables

The terms ‘official’ and ‘civil servant’ are often used in this field, but these are only some of the government personnel. Cheng and Lu use a preferable term: ‘finance-supported personnel’ (FSP) (*caizheng gongyang ren yuan*). FSP refers to personnel whose income and administrative expense are paid by government funds. FSP consists of government employees, public institution employees, and retirees from these institutions. The Finance-Supporting Ratio (FSR) (*caizheng gongyang bili*), — the ratio between FSP and the total population — can be derived from FSP. FSR is a fundamental benchmark of the scale of FSP and also an effective measurement for comparison between different historical periods and countries.

Cheng and Lu agree that China has a large government, but use the FSP and FSR to dispute that it is too large. First, the increase of FSP was mainly in retirees. The increase of current employees was limited after 1998. Second, the rate of increase of FSP was lower than the growth rate of GDP and fiscal revenue. Third, the increasing FSP was necessary to meet the increased demand of the development of economy, the transformation of society, public service, and urbanization. Fourth, although the FSP of China was more than other countries such as USA, UK, France, and Russia, the FSR of

⁴⁷ Jian Bozan.(eds) (1961). Wudai shiguo song liao jin yuan. In *Zhongguoshi gangyao*. (pp. 277-309) Beijing: Renmin Chubanshe.

China was lower than those countries.⁴⁸

In summary, Cheng and Lu argue that the increase in Chinese FSP is unavoidable, reasonable, and necessary. Although the number of Chinese FSP is much larger than other countries, its FSR is relatively low. Hence, in terms of institutional reform, they suggest that cutting FSP is very difficult in China and should not be the focus of future reforms.

Excessive officials

Most historians of ancient Chinese history agree that the Northern Song government was oversize. The problem developed in the Renzong period and became increasingly out of control later. Qian Mu suggests that the cause of the problem was the basic state policy of the imperial household of the Northern Song. Before the founding of the Northern Song, ancient China was divided into several small kingdoms, where military coups were common. This period of chaos lasted for seventy years: in fact, the first emperor of Northern Song was a military coup leader. Realizing that the military force must be restrained to prevent subsequent military coups, the imperial household of the Northern Song concentrated on improving the status of civil officials. In the early stage of the Northern Song Dynasty, the emperors purposely increased the number of officials and improved their pay. The policy did prevent coups, but the increase in FSP became an important source of the government financial pressure in the Renzong period. The problem of excessive officials became out of control after the Renzong period.⁴⁹

Sources of data

Contemporary China

⁴⁸ Cheng Wenhao., & Lu Dapeng. (2010). Zhongguo caizheng gongyang de guimo ji yingxiang bianliang-jiyu shinian jigou gaige de jingyan. *Zhongguo Shehui Kexue*, (2), 84-102.

⁴⁹ Qian Mu. (1940). Chapter 31: Pinruo de xin zhongyang. In *Guoshi dagang* (pp. 257-280). Shanghai: Shangwu yinshuguan.

Data regarding FSP in contemporary China is particularly fragmented. The analysis here is based on the studies of several scholars: Cheng Wenhao and Lu Dapeng, Xiong Jianfeng, Zhang Mengzhong and Zhou Wei⁵⁰. Data from these studies is combined to form Table 2. Data for some years is not available, so the years in Table 2 are not continuous. Government employees and public institutions employees are covered in the table.

Table 2 demonstrates four features of the scale of FSP in contemporary China. First, the scale of FSP of contemporary China is huge. The FSP of China reached 54 million in 2009; about 250% of the Australian population at the same time.

Second, the number of FSP has increased rapidly in contemporary China. It increased by 200% from 18 million to 54 million in the past few decades, growing around 1.3 million every year since 1982.

Third, the increase of FSP of contemporary China mainly comes from retired personnel, who are still subject to the GPAS. For instance, the number of retired FSP rose by 4.56 million between 2000 and 2006, whereas the current employed FSP almost remained the same. Furthermore, the retired FSP increased steadily in the past decades, whereas the number of currently employed FSP decreased slightly in several years such as 2002, 2004 and 2005.

Fourth, the number of retirees has become larger and larger in the past decades. In 1998, only 16.4% of FSP were retirees but this increased to 29.2% in 2009. Since, at the beginning of the reform period, Chinese people had a relatively low average life span,⁵¹ the Chinese average life span would increase in the near future due to the development

⁵⁰ Zhang Mengzhong and Zhou Wei. (2010). Chapter 7 Civil Service Reforms in Mainland China. In *Public administration in East Asia* (pp. 145-160). Boca Raton: CRC Press.

⁵¹ *Chushengshi de yuqu shouming*. (n.d.). Retrieved January 5, 2016, from <http://data.worldbank.org.cn/indicator/SP.DYN.LE00.IN>

of the economy and advances in medical science. This would worsen the problem of aging Chinese FSP. Even if the number of current employed FSP were to remain the same as now, which is about 40 million, the total of FSP would still increase by about 1 million per year in the near future. Hence, the growth of Chinese FSP is inevitable.

Years	1982	1987	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2009
FSP (million)	18.0	27.0	38.4	39.9	41.7	42.6	43.4	44.2	44.9	45.5	46.3	49.8	53.9
Current Employed FSP (million)			32.1	32.6	33.6	34.0	34.0	34.3	33.4	33.4	33.7		38.1
Retired FSP (million)			6.3	7.2	8.1	8.6	9.4	9.9	11.5	12.1	12.6		15.8
The increase rate of FSP (%)				3.7	4.6	2.2	2.2	1.5	1.6	1.4	1.6	7.7	
The percent of retired FSP (%)			16.4	18.1	19.4	20.2	21.5	22.4	25.5	26.6	27.2		29.2

Table 2: The scale of FSP in contemporary China

The FSR must also be considered. Table 3 shows that the FSR dropped from 56.5 in 1982 to 24.7 in 2009 in modern China. In other words, every 56.5 Chinese people

supported one FSP in 1982, but the number dropped to 24.7 by 2009. Therefore, it is clear that the relative scale of FSP is growing rapidly.

Year	1982	1987	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2009
FSR	56.5	40.5	32.5	31.6	30.4	29.9	29.3	29.3	29.0	28.7	28.4	26.5	24.7

Table 3: The FSR in contemporary China

In summary, the number of FSP of contemporary China is extremely high, and has increased consistently since reform. This increase is mainly due to the rise of the retired FSP, resulting in the trend of aging FSP.

The Renzong period

In the Renzong period, finance-supported personnel could be divided into three groups: senior officials (*guan*), junior officials (*li*) and retired senior officials (*zhishi guan*). The distinction between *guan* and *li* is complicated and beyond the discussion of this thesis: these terms are translated as senior officials and junior officials for the purpose of discussion. Only retired senior officials received pay from the government, but the number of them is not available.

Because the historical records of FSP of the Renzong period are insufficient, the analysis of the scale of the FSP is less accurate. Nevertheless, most researchers agree that the scale of FSP of the Renzong period had three features, all of which are shared with contemporary China: the huge number of FSP, the rapid rate of increase, and the aging trend.

First, according to Qian Mu, Huang Jingxian and Wang Shengduo, there were a large number of FSP in the Renzong period. Huang points out that the Northern Song

government eliminated 200,000 junior officials in 1003, but the number expanded again later. According to Wang's research, it is likely that the 200,000 redundant employees accounted for 20% of the total FSP before the Renzong period.⁵² Thus, it is safe to say that there was at least 1.20 million junior officials before the Renzong period. In addition, Qian Mu states that there were more than 20,000 senior officials at the same time. Hence, it can be estimated that the number of FSP was at least 1.22 million before the Renzong period began.

Second, the number of FSP increased greatly in the Renzong period. Qian Mu points out that the number of senior officials doubled in the Renzong period, becoming about 40,000. While the rate of increase of junior officials, cannot be verified so far, supposing the number doubled as well, the number of FSP would have reached about 2.44 million in the Renzong period. Importantly, retired officials are not included in this number, so the total number of FSP was even larger.

Third, the FSR of the Renzong period is close to contemporary China's. Although the number of FSP of the Renzong period seems quite small compared with modern China, the population of the Renzong period is also much smaller. The population of the end of the Renzong period was 52.8 million. Therefore, the FSR of this period was 21.5, close to the FSR of contemporary China in 2009, which was 24.7.

An increase of retirees was not seen in the Renzong period. There was no legal enforcement of the retirement of senior officials during Northern Song Dynasty. Since the salary and allowances of employed officials were very attractive, few officials retired voluntarily. The aging officials led to decreased administrative efficiency. Hence, some ministers strongly recommended the emperor to impose retirement on officials over 70 years old. However, it is believed that the retirees did not increase greatly in the Renzong period.

⁵² Wang Shengduo. (1995). Part 2 Chapter 7: Huangshi ji guanli kaizhi. In *Liangsong caizheng shi* (1st ed., pp. 443-490). Beijing: Zhonghua shuju.

In the early stage of the Northern Song, the increase in FSP was supported by the imperial household as a means of preventing military unrest. However, the emperors realized that the increasing FSP would lead to financial pressure so they intended to restrict the growth; this led to proposals for reform, but these could not be implemented due to strong opposition from officials. Hence, it is clear that cutting FSP could not reduce financial pressure in the Renzong period.

Discussion

The above data shows that contemporary China and the Renzong period share three common features. First, the governments of both periods had huge numbers of FSP. Second, the FSP increased rapidly in those periods. The number of Chinese FSP tripled in the past decades and the Northern Song's FSP doubled in that time. Third, the FSR of the late stage of both periods are very close: 24.7 in modern China and 21.5 in the Renzong period. The only main difference between them is the increase in retirees, which constitutes the main part of the increased FSP in modern China, but was not obvious in the Renzong period.

Based on the theory of influential variables, the increase in FSP in modern China can be justified, because it resulted from economic development, the need for social transformation, the increased need for public service, and urbanization. Moreover, although it increased quickly, its rate of increase was much lower than GDP and fiscal revenue. GDP and fiscal revenue have both increased more than a hundred times since 1980, whereas the FSP only tripled.⁵³ Also, the increased FSP were mainly retirees, which means the increase was unavoidable. This shows that previous institutional reforms managed to restrict the growth of current employed FSP, although the total number of FSP kept increasing in the last decade. Thus, it is clear that the increase of

⁵³ Zhu Jianhong. (2013, November 21). *35nian, zhongguo jingji "yilu xiangshang"*. Retrieved January 5, 2016, from http://paper.people.com.cn/rmrb/html/2013-11/21/nw.D110000renmrb_20131121_1-04.htm

FSP in contemporary China has been mainly due to objective causes, and its growth has been controlled.

In the Renzong period, however, the initial increase in FSP was a result of the emperors' response to political rather than economic needs. Subsequently, civil servants became dominant, and they spontaneously rejected reform in order to protect their interests. Moreover, the FSP of Renzong doubled, whereas the fiscal revenue remained at the same level.⁵⁴

The large scale of FSP has resulted to a heavy financial burden to modern China's government and it is a unique Chinese problem due to its extremes. It is worth adding a horizontal comparative perspective to the discussion here. When compared with other countries, the scale of FSP of contemporary China has two features. First, the scale is extremely large and the population of China's FSP is as large as (or even larger than) many other developed countries like Germany, UK, France, Singapore, South Korea and Taiwan. Second, the ratio of China's FSP to unit GDP (USD \$1 million) is also extremely high than most developed countries. In 2006, this ratio in China was 39 FSP, while it was only 1.38 FSP in Japan, 1.58 in UK, 2.31 in US, and 3.46 in France. In other words, China needs to provide for about thirtyfold FSP than its neighbor Japan with the same amount of GDP. In consideration of the fact that China is a developing country, the extremes of the scale of FSP and its corresponding financial burdens must be unique in the world.⁵⁵

Summary

In conclusion, the scale of FSP of contemporary China and the Renzong period shares several features: large numbers, increasing, with a similar FSR. However, the causes of

⁵⁴ Qian Mu. (1940). Chapter 31: Pinruo de xin zhongyang. In *Guoshi dagang* (pp. 257-280). Shanghai: Shangwu yinshuguan.

⁵⁵ Cheng Wenhao., & Lu Dapeng. (2010). Zhongguo caizheng gongyang de guimo ji yingxiang bianliang-jiyu shinian jigou gaige de jingyan. *Zhongguo Shehui Kexue*, (2), 84-102.

the increase of FSP were quite different. The increased FSP of contemporary China was due to the needs of economic and social development, whereas the increased FSP of the Renzong period resulted from the connivance of emperors and the selfishness of civil officials. Institutional reforms of modern China restricted the growth of current employed FSP, but could not stop the growth of the total FSP. The efforts of Renzong were defeated, and the problem gradually became out of control.

Ultimately, however, regardless of the reasons behind the increase of FSP, the growth of FSP in both periods was so rapid that alternative approaches to reducing the administrative cost for government became, or have become, necessary. Thus, reforming the GPAS is a comparatively reasonable option.

Chapter 3: Disadvantages of the GPAS

This chapter will argue that the GPAS, in both contemporary China and the Renzong period, is or was costly, unfair, and irrational, and provided an environment in which corruption developed easily. It will discuss the theories behind the development of the GPAS in contemporary China and the Renzong period, including fragmented authoritarianism, the tax-sharing system, and the policy of anti-corruption by high salary. This chapter will examine the GPAS in terms of its operation, its sources of funding, the types of allowances, and its disadvantages. Finally, the chapter will compare the GPAS between modern China and the Renzong period to support the argument.

The Context

This thesis has already made clear that, regardless of the reasons behind the increases, it has become clear governments cannot cut administrative costs merely by reducing the scale of government employment. Hence, a new direction for future public institution reforms, one which can be informed by previous history, would focus on the GPAS. While the number of FSP and their salaries determines administrative cost, the major part of the pay of FSP is allowances.

The GPAS has invited more and more criticism from the public in recent years. The governments of contemporary China has provided many kinds of allowances and welfare to FSP to increase their living standards, but the costliness, injustice, irrationality and linked corruption has created public dissatisfaction. Overspending on the GPAS has also caused a lack of investment in other projects to improve public wellbeing in the past decades. Recently, the Chinese top leadership has admitted that they are experiencing a crisis of confidence because of the expensive administration cost. Premier Li Keqiang has promised that the government would bring benefits to the

public by practicing frugality in government spending.⁵⁶ However, this is a difficult task for the central government since the GPAS is operated and managed in a decentralized way⁵⁷. In fact it is very hard, even for the central government, to find out all the types of allowances existing in the whole country.

In the Renzong period, the GPAS also caused a financial crisis. Although political leaders tried to cut allowances, these proposals were opposed by their peers.⁵⁸ The problem became worse later, so the following governments had to inflate the currency to maintain the fiscal expenditure.⁵⁹ This transfer of financial pressure to citizens, caused serious social unrest in the late stages of the Northern Song. Eventually, the dynasty was destroyed sixty-four years after the Renzong period; a potential consequence which the modern Chinese state must also consider.

Theoretical background

The features of the GPAS in both periods can best be understood by applying several theoretical frameworks: first, fragmented authoritarianism (FA) is linked to the decentralization of the GPAS; second, the tax-sharing system (*fenshui zhi*) in China is discussed to explain how the tax system affects the GPAS; third, the policy of "anti-corruption by high salary" (*gaoxin yanglian*) in contemporary China is used to explain the practice of increasing allowances for FSP.⁶⁰

As for data, this chapter attempts to cover most of the important allowances in order to provide an overall understanding of the GPAS in both periods. The sources used include

⁵⁶ Yang Lina. (Ed.). (2013, March 17). Chinese premier asks public to supervise government. Retrieved from http://news.xinhuanet.com/english/china/2013-03/17/c_132240073.htm

⁵⁷ Zhang Guang. (2015). Ruhe guankong zhongguo gongwuyuan gongzi -Ping Governing Civil Service Pay in China. Retrieved November 13, 2015, from <http://jpa.sysu.edu.cn/docs/20151021092712778913.pdf>

⁵⁸ Qian Mu. (1940). Chapter 31: Pinruo de xin zhongyang. In *Guoshi dagang* (pp. 257-280). Shanghai: Shangwu yinshuguan.

⁵⁹ Yu Zhaopeng, & Yu Hui. (2014). Lun beisong moqi de exing tonghuo pengzhang. *Nanchang daxue xuebao*, 45(4), 87-96. Retrieved from <http://lh.chaoxing.com/>

⁶⁰ Zhang Guang. (2015). Ruhe guankong zhongguo gongwuyuan gongzi -Ping Governing Civil Service Pay in China. Retrieved November 13, 2015, from <http://jpa.sysu.edu.cn/docs/20151021092712778913.pdf>

official reports, journal and media reports. The media plays a particularly important role due to the shortage of official data. In particular, data from state media outlets, such as *People's Daily* and the Xinhua news agency, are often used because of their relative authority.

In terms of the thesis as a whole, Chapter 3 argues that the disadvantages of the GPAS mean that it should be the focus of future institutional reforms in modern China. The theoretical frameworks explain how the GPAS leads to corruption, which will be discussed in Chapter 4, and contextualises the discussion about the previous reforms of the GPAS in Chapter 5.

Fragmented Authoritarianism and *Tiaotiao Kuaikuai*

As mentioned in chapter 1, the decentralization of power in China can be characterized as fragmented authoritarianism (FA) in China. The FA framework is the most durable theory for studying contemporary Chinese political administration. The FA theory argues that although modern China is a totalitarian state, the authority below the top leadership of the Chinese political system is fragmented and disjointed. Since the beginning of reform and opening up period, this fragmentation has become more and more pronounced in modern China. In the process of making policy, bureaucratic bargaining plays a very important role. Local governments and bureaucratic units pursue their interests by bargaining with the central government, so the outcomes of policy-making of the peak are often shaped greatly by the interests of local power.⁶²

The FA framework also has an additional effect. The top leaders have reduced the use of coercion against local leaders. This has strengthened the tendency of bureaucratic units to promote and protect their own interests in the policy-making process. It seems that these developments have led to increased bargaining in the Chinese bureaucratic

⁶² Mertha, A. (2009). “‘Fragmented Authoritarianism 2.0’: Political Pluralization in the Chinese Policy Process”. *The China Quarterly*, 200, 995-1012. <http://dx.doi.org/10.1017/S0305741009990592> (About DOI

system. However, the FA model does not argue that the centre of the Chinese political system is helpless, the bureaucracies are unable to cooperate, or that local government is all-powerful; it just emphasizes the bargaining relationships between the center and the locales. The FA model has shaped the GPAS in modern China.

The fragmentation of the GPAS of contemporary China is also closely related to the specific system of dual rule (*shuangchong lingdao*), called ‘*tiaotiao kuaikuai*’ in many studies.⁶³ In the unitary system of China, *tiaotiao* refers to the authority tie each unit vertically to superior organs of power at the Center, whereas *kuaikuai* refers to the authority tie them horizontally to local organs of power. In modern China, *tiaotiao* and *kuaikuai* authorities should share power cooperatively based on the dual rule system. However, the dual rule system does not have the intended effect. The reality is that there is rule by either *tiaotiao* or *kuaikuai* authorities, depending on the circumstances and the relative power of each.

The theory of “*tiaotiao kuaikuai*” explains the pay differences of FSP in different government departments and regions. Usually, the *tiaotiao* bureaucratic units with strong power have more resources to favor their staff than the less powerful units. Hence, there are income gaps among units. Gaps can even exist among units in the same city. For example, Shenzhen Customs has more resources to construct houses for its staff than the other units in Shenzhen City⁶⁴. Shenzhen City Council has no authority to interfere Shenzhen Customs because it is ruled by the General Administration of Customs, a *tiaotiao* unit. In other cases, the bureaucratic units of rich regions usually have more resources to favor their FSP than poor regions, which are *kuaikuai* units. For example, the FSP of Zhuhai City enjoy more transportation allowances than their peers in western China.⁶⁵

⁶³ Lieberthal, K., & Lampton, D. (1992). One Introduction: The "Fragmented Authoritarianism" Model and Its Limitations. In *Bureaucracy, Politics, and Decision Making in Post-Mao China* (pp. 3-31). Berkeley · Los Angeles · Oxford: University of California Press.

⁶⁴ Yang Changjiang., & Luo Bi. (2013, June 4). *Shenzhen haiguan fulifang yi fugai shangwei jinru yuangong huxing gujia qianwan*. Retrieved September 12, 2015, from <http://finance.sina.com.cn/china/20130604/013815682789.shtml>

⁶⁵ Cao Miao. (Ed.). (2010, December 3). *Gongche zhili 16nian zhichu rengda jin 2000yi nanpo tequan*. Retrieved

In summary, the existence of FA and *tiaotiao kuaikuai* systems in contemporary China cause local governments, government departments, and public institutions to act independently of each other and of the central government. Under the FA framework, these local organizations under the top center acquire authorities to establish allowances for their FSP and allocate the resource to pursue their own interests. The FA framework has made the supervision and management of the GPAS very difficult and has caused many locales to become less sensitive to the policy demands from higher levels.⁶⁶

Tax-sharing System

The tax-sharing system, first implemented in 1994, has dramatically changed the GPAS of local governments in contemporary China. Before 1978, the Chinese central government practiced the centralization of financial power and unified collection and allocation of funds by the state. Most funds, including tax and profits made by state-owned enterprises, were collected and then allocated by the central government. Local governments and other bureaucratic units had no authority to collect and allocate the funds. Thus, the GPAS was under strong central control and allowances were established and distributed only by the center. This practice strongly restricted lower-level bureaucratic units from developing the economy in their regions; hence, the bureaucratic units also lacked funds to provide allowances to their FSP. Before 1978, the FSP of different units and regions enjoyed approximately equal pay and allowances. People described the phenomena as everyone eating from “the same big pot” (*chi daguofan*).

In 1978, the Chinese government started the fiscal system reform: referred to as “having meals in separate kitchens” (*fenzhao chifan*). Local governments and state-owned

October 7, 2015, from <http://auto.people.com.cn/GB/1050/13386539.html>

⁶⁶ Lieberthal, K., & Lampton, D. (1992). One Introduction: The “Fragmented Authoritarianism” Model and Its Limitations. In *Bureaucracy, Politics, and Decision Making in Post-Mao China* (pp. 3-31). Berkeley · Los Angeles · Oxford: University of California Press.

enterprises could reserve some tax and profits after they paid a certain amount of funds to the state. The reform benefited the local organizations in two ways. First, it decentralized the collection and distribution of funds, so they could collect tax to increase the pay of local FSP. Second, it transferred a portion of funds from the central government to local authorities. Initially, however, the pay of FSP did not change much; their pay was low compared with other occupations, and many officials gave up their positions in government and went into business in the early 1990s.⁶⁷

In 1994, the Chinese government implemented the tax-sharing system reform. Before this reform, the majority of local government revenue was budgetary revenue, which was under strict supervision from the central government. After the tax-sharing reform, expenditures on local affairs were still assigned to local governments. At present, counties and districts, the fourth tier of government, account for the majority of the total national expenditure on education and health.⁶⁸

Thus, local governments were left with a huge fiscal gap. The central government has been unwilling or unable to provide financial assistance, and consequently authorizes local government to collect other fees. These fees include land transfer revenues, administrative fines, and administrative fees, referred to collectively as extra-budgetary revenues. The ‘ownership’ and allocation rights of extra-budgetary revenues remain with the collecting agencies, which are local governments. Extra-budgetary revenues are allocated outside of the budget. In other words, they are outside of the supervision and management of the central government.⁶⁹ Extra-budgetary revenues account for 20% of Chinese GDP in recent years,⁷⁰ and have become a major source of funding of the GPAS in localities.⁷¹

⁶⁷ Zhang Guang. (2015). *Ruhe guankong zhongguo gongwuyuan gongzi* -Ping Governing Civil Service Pay in China. Retrieved November 13, 2015, from <http://jpa.sysu.edu.cn/docs/20151021092712778913.pdf>

⁶⁸ Wong, C. (n.d.). *Reforming China's Public Finances for Long-term Growth*. Retrieved January 7, 2016, from <http://press.anu.edu.au/wp-content/uploads/2013/07/ch101.pdf>

⁶⁹ *ibid*

⁷⁰ Tao Yong. (2008). *Fenshuizhi dui defang caizheng yunxing de yingxiang*. Retrieved January 7, 2016, from http://spea.shufe.edu.cn/upload/_info/2008000114/59215_1011010717571.pdf

⁷¹ Su Hainan. (2008). Chapter 1 *Woguo gongwuyuan fuli xianzhuang he wenti, yuanyin fenxi ji zhengce jianyi*. In *Zhongguo gongwuyuan fuli zhidu gaige* (1st ed.). Beijing: Zhongguo caizheng jingji chubanshe.

To sum up, the tax-sharing system causes that local governments have sufficient extra-budgetary revenues and the authorities to use them freely. Local governments then spend extra-budgetary revenues on the GPAS to increase the pay of local FSP. The actions of local governments are free from the supervision of the central government. Thus, it is highly likely to lead to disordered management of the GPAS in localities.

Links between salary and corruption

Ideology has had a great impact on the GPAS.⁷² FSP did not enjoy good pay before the early 1990s. Economic reasons aside, the spirit of “selfless devotion” promoted by the political leaders also had a great influence on their low pay. The leaders, especially Mao Zedong, emphasized that officials should serve the people without any desire to benefit themselves. This changed in the 1990s due to the rapid increase of corruption among FSP. The leaders of the new generations started to encourage a new scheme of anti-corruption called “anti-corruption by high salary”. This idea justified the actions of increasing the allowances of the FSP.

One crucial feature of the wage/allowance system of FSP in modern China is that pay decisions are made by administrative agencies. Although the budget proposals must be approved by the People’s Congress, the legislature of China, before the implementation, they have never been rejected. The public believes that the People’s Congress is a “rubber stamp”. Thus, democratic supervision of the GPAS does not exist in China.⁷³

The collective effect of these policies and ideologies is to that local governments have the administrative power to operate the GPAS independently, the tax-sharing system ensures the sufficient extra-budgetary revenues for the GPAS in localities, and the

⁷² Zhang Guang. (2015). Ruhe guankong zhongguo gongwuyuan gongzi -Ping Governing Civil Service Pay in China. Retrieved November 13, 2015, from <http://jpa.sysu.edu.cn/docs/20151021092712778913.pdf>

⁷³ *ibid*

policy of “anti-corruption by high salary” provides ideological support for the increasing FSP allowances.

As mentioned in chapter 1, the imperial household of Northern Song made the fundamental state policy of improving the status of civil officials in order to prevent military coup. The political ecology of Northern Song was that the emperors “share the kingdom with the scholar-bureaucrats” (*yu shidafu gong tianxia*).⁷⁴ The scholar-bureaucrats were the main power of the civil officials and the power elites inside the government. The imperial household purposely increased officials' pay to win support from them; hence, many extra allowances were offered to officials in the Renzong period.

The ideology of “anti-corruption by high salary” also existed in the Renzong period. Fan Zhongyan, the leaders of reformists in that time, argued that officials had to corrupt because their salary was too low to support their living.⁷⁵ This was a common view in the Renzong period. Hence, the Renzong government tried its best to increase the pay of officials, especially their allowances.

Data

In this thesis, “allowances” of the GPAS refers to subsidies, allowances and welfare of FSP supported by the state finance. The allowances of the GPAS can be divided into two categories: work allowances and life allowances. Work allowances refer to the allowances directly linked to the FSP's work, such as duty consumptions (including official transport) and working environments (such as the provision of luxury office buildings). Life allowances refer to the allowances linked to the FSP's daily life, consisting of money allowances, material allowances like low-cost housing, and service

⁷⁴ Qian Mu. (1940). Chapter 31: Pinruo de xin zhongyang. In *Guoshi dagang* (pp. 257-280). Shanghai: Shangwu yinshuguan.

⁷⁵ Huang Huixian & Chen Feng (eds) (1996). *Zhongguo fenglu zhidu shi*. Wuhan: Wuhan daxue chubanshe.

allowances such as free medical care.

The organizations of FSP, whether big or small, are called 'work units' (*gongzuo danwei*) in China. These units have a tradition of satisfying their FSP's needs and desires by providing allowances.⁷⁶ While the wages of FSP are still low compared to many other occupations,⁷⁷ allowances form the majority of the money and services they receive. Allowances account for 60-70% of the total pay in most regions, and even reach 90% in some rich cities.⁷⁸ Consequently, many allowances can be considered "hidden" since they are invisible on pay slips. These include work allowances, material allowances and service allowances.

The GPAS in the Renzong period also included work allowances and life allowances. Moreover, officials of Northern Song could enjoy an important privilege: exemption from tax and corvee. This privilege benefited officials greatly by saving them plenty of money.

Although it is impossible to confirm statistically, the public in China strongly believe that the allowance system is too expensive and generates high levels of corruption. As Holmes argues, corruption does undermines economies, but measuring the exact degree of economic impact is certainly beyond the capacity of any analysts. Thus, if corruption is perceived to be significant by the public, then it is significant.⁷⁹ This principle may be applied here: because the public believes that the GPAS is too expensive and leads to corruption too easily, then the state must act as if this is the case. Similarly, in the Renzong period, scholars of Chinese ancient history agree that the government caused a huge administration cost, contributing to the fall of the kingdom. Therefore, an

⁷⁶ Yang, M. (1989). BETWEEN STATE AND SOCIETY: THE CONSTRUCTION OF CORPORATENESS IN A CHINESE SOCIALIST FACTORY. *The Australian Journal of Chinese Affairs*, 22, 31-60. Retrieved from <http://www.jstor.org/stable/2158845>

⁷⁷ Zhang Guang. (2015). Ruhe guankong zhongguo gongwuyuan gongzi -Ping Governing Civil Service Pay in China. Retrieved November 13, 2015, from <http://jpa.sysu.edu.cn/docs/20151021092712778913.pdf>

⁷⁸ *Gongwuyuan "di gongzi gao butie" de beihou*. (2014, September 14). Retrieved September 11, 2015, from <http://news.sohu.com/s2014/dianji-1494/>

⁷⁹ Holmes, L. (1997). Corruption and the crisis of the post-communist state. [Electronic version]. *Crime, Law & Social Change*, 27, 275-297

examination of the allowances is important for people to understand the situation in modern China and the Renzong period.

In this chapter the most important allowances of both periods will be covered in order to provide an overview of the GPAS which particularly focuses on its financial burden.

Allowances in Contemporary China

The allowances of the GPAS are listed in terms of categories in table 4 and table 5. As there are more than three hundred allowances in modern China⁸⁰, only the most important ones will be explained and analyzed.

Work allowances	Official hospitality
	Official vehicles
	Overseas trips for official purposes
	Luxury office building, halls and guest houses
	Staff canteen
Money allowances	Pension: Double-track Pension Scheme (<i>Yanglaojin Shuangguizhi</i>)
	Medical service at public finance (<i>gongfei yiliao</i>); Allowance for medical insurance
	Housing Accumulation Fund (<i>zhufang gongjijin</i>); Allowance for increasing rent (<i>tizu butie</i>); Allowance for purchasing house (<i>goufang butie</i>)
	Transportation Allowance
	Meal allowance
	Communication allowance

⁸⁰ Li Song. (2011, March 28). *Gongwuyuan jintie butie mingmu shixu gedi shanfa 300duo xiang jidai guifan*. Retrieved January 7, 2016, from http://news.xinhuanet.com/legal/2011-03/28/c_121236902.htm

	Gift cards
	Festival allowance
	Annual bonus
	Others: Heating allowance, Attendance allowance, One-child allowance, Mountain area allowance, Region difference allowance
Material allowances	Welfare housing distribution (<i>fuli fenfang</i>); Low-rent Housing (<i>lian zuwu</i>); Economic Proper Housing (<i>jingji shiyongfang</i>)
	Goods (food, home appliances, etc.)
Service allowances	Driver service for senior officials; Shuttle buses
	Living facilities: library, public bathhouses, barbershops, clinics and the like
	Service for FSP's family: nursery, school, etc.

Table 4: Allowances in Contemporary China

Allowances in the Renzong Period

The scholars of ancient Chinese history are in agreement that officials of the Northern Song Dynasty enjoyed the best remuneration package among all dynasties.⁸¹ This consisted of wages, allowances, welfare, and privileges. During the Renzong period, government revenue rose sharply due to economic development, and the government increased the pay for officials,⁸² but similarly to modern China, wages was only the small part of the officials' pay, with allowances and welfare forming the majority.

Work allowance	Official hospitality;
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⁸¹ Jian Bozan. (1961). Wudai shiguo song liao jin yuan. In *Zhongguoshi gangyao*. (pp. 277-309) Beijing: Renming Chubanshe.

⁸² Wang Shengduo. (1995). Part 2 Chapter 7: Huangshi ji guanli kaizhi. In *Liangsong caizheng shi* (1st ed., pp. 443-490). Beijing: Zhonghua shuju.

	Public-use money (<i>gongshiqian</i>)
	Travel voucher (<i>jiquan</i>)
Money allowance	Duty money (<i>zhiqian</i>)
	Pension: full salary after the retirement;
	Other allowances: <i>Tianzhi</i> , <i>Jiapo tianzhi</i>
Material allowance	Official farmland rent (<i>zhitianzu</i>)
	Living quarters.
	Horse/donkey with horse feed.
	Tea, wine and foodstuff.
	Fire wood, charcoal, salt and other goods
	Reward from emperors: cash, goods, houses and farmland.
	Clothes, foodstuff and meal money for the officials' servants.
Service allowance	Free medical treatment; free medicine ⁸³
Privilege allowance	Exemption of tax and corvee (<i>youtian</i>)
	Official job vacancies reserved for the retirees' relatives (<i>fengyin</i>)

Table 5: Allowances in the Renzong period⁸⁴

Discussion

Based on the data and information from multiple sources, it can be seen that the GPAS of contemporary China and the Renzong period share several common features. Unfortunately, these common features indicate that the common people became the victims of the GPAS, leading to a lack of public confidence and state legitimacy.

First of all, the GPAS of both periods damaged the interests of common people. In contemporary China, certain allowances should be provided to the whole nation, but they are only offered to FSP and become their privileges. For example, free medical

⁸³ Zhou Mi. (1997). Bei ji Shang. In *Gui xin za shi*. Shanghai: Zhonghua Shuju.

⁸⁴ Huang Huixian and Chen Feng (eds) (1996). *Zhongguo fenglu zhidu shi*. Wuhan: Wuhan daxue chubanshe.

service is an important component of social security system, and should be a right enjoyed by the whole nation. However, only FSP have this privilege. While the general public is main contributor to public finances, they are not eligible. In recent years, the government introduced a 'medical insurance' system, under which both FSP and the public must pay for part of medical care charges. However, many local governments refused to introduce the new system.⁸⁵

The root cause of this problem is fragmented authoritarianism and the tax-sharing system. Below the very peak of the Chinese political system, authority is fragmented and disjointed. In addition, post-reform decentralization of budgetary authority enabled many locales and bureaucratic units to acquire extra-budgetary funds to pursue their own policy preferences. This cushion of extra-budgetary revenue permitted many locales to become less sensitive to policy demands from higher levels.

The same problem existed in the Renzong period. The heaviest burden of people in the Renzong period was corvee and tax, but senior officials were exempted from the duty. The earnings from their own farmlands were tax-free too. Since many senior officials were landlords, this policy made the state lose a lot of tax,⁸⁶ a problem itself caused by the state policy favoring civil officials. Again, financial pressure was transferred to common people, since the government collected more tax from them to cover the loss.

The second disadvantage is that many allowances are unjustified. The most typical case is official hospitality. Official hospitality was established to meet the work needs for FSP who travel to other localities for official purposes. However, it has been abused in the past decades, as the growth of luxury banquets demonstrates. In a proposal submitted at the meeting of the 11th National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) in 2012, it is estimated that there

⁸⁵ Yang Hui. (2012, June 14). *Guangzhou gongwuyuan gongfei yiliao 1 nian 14 yi yuan chao 210 wan nongmin zonghe*. Retrieved September 13, 2015, from <http://www.chinanews.com/jk/2012/06-14/3964033.shtml>

⁸⁶ Huang Huixian and Chen Feng (eds) (1996). Chapter 6: Liangsong fenglu zhidu. In *Zhongguo fenglu zhidu shi*. Wuhan: Wuhan daxue chubanshe.

are 300 million official banquets per year, more than 820,000 banquets per day. Moreover, the expense for official hospitality experienced a dramatic increase from 37 billion yuan in 1989 to 3000 billion yuan in 2012.⁸⁷ The money abused on official hospitality is more than twice the expenditure of defense in the same year.

This problem also existed in the Renzong period. The Renzong government established ‘public-use money’ for official hospitality. The cost of official banquets was very expensive in the Renzong period. For instance, at least 120 million *wen* (currency unit in Northern Song) was spent per year for official hospitality in Yangzhou Prefecture, forming about 0.1% of GDP of Northern Song. As Yangzhou was only one of 322 prefectures⁸⁸ if all the other prefectures had consumed the same amount of public-use money, then 32.2% of GDP would have been wasted on official hospitality. Yangzhou was a rich prefecture with more resources than most prefectures, but this still demonstrates how unreasonable the allowance was for public finance.

The third disadvantage is that the policy generates income gaps between different FSP. Since the extra-budgetary revenue is the main funding source of the GPAS in particular localities, and since the economic levels between regions differ dramatically, the standards of allowances differ too. For example, officials at social security bureaus in Guangdong receive 4425 yuan allowances, whereas officials of the same bureau in Sichuan receive only 395 yuan. The income gap also exists among departments in the same region because their abilities of collecting extra-budgetary revenue are different. Allowance levels also vary because of administrative ranks of officials: for example, the monthly transportation allowance in Beijing is 300 yuan for officials with low rank, 800 yuan for middle rank, and 1500 yuan for high rank.⁸⁹

In the Renzong period, the allowance gap also existed, but it was mainly due to different

⁸⁷ Guo Yanbo. (2014, May 14). *Meiti jie zhongguo guanchang fanju: meitian 82 wan ge yinian chidiao 3000yi*. Retrieved November 26, 2015, from <http://finance.people.com.cn/n/2014/0514/c1004-25013068.html>

⁸⁸ Huang Huixian and Chen Feng (eds) (1996). *Zhongguo fenglu zhidu shi*. Wuhan: Wuhan daxue chubanshe.

⁸⁹ Su Hainan. (2008). Chapter 1 Woguo gongwuyuan fuli xianzhuang he wenti, yuanyin fenxi ji zhengce jianyi. In *Zhongguo gongwuyuan fuli zhidu gaige* (1st ed.). Beijing: Zhongguo caizheng jingji chubanshe.

economic levels among regions and administrative ranks. Official farmland rent is a useful example: it was one of the most important allowances for officials of local governments. Local governments leased official farmland to tenant farmers to collect grain as rent, using this rent to subsidize officials. The decentralization of this system and different economic levels among localities caused enormous differences, as much as fifty times in different regions.⁹⁰ Furthermore, the allowance of officials with high ranks was ten times as much as officials with low rank in the Renzong period.

The fourth disadvantage is that it was very difficult in both periods for the central government to supervise and manage this system. In contemporary China, this problem mainly results from fragmented authoritarianism and tax-sharing system. Local governments often refuse to follow the central government's order to cut some allowances like free medical services, and most local governments do not even publicize their budgets.⁹¹ The Renzong government also encountered similar difficulty. However, the central government had the supreme authority to dominate the finance of local governments in Northern Song,⁹² so it seems that the difficulties of supervision and management were due to the poor objective conditions such as the inconvenience of transportation and communication at that time.

Fifthly, the system breeds corruption. For example, although free medical service allowance is provided to FSP for medical reason, officials often abuse this allowance for themselves and their families, for instance acquiring expensive nutritional supplements like Chinese ginseng, even though they are not ill.⁹³ Similarly, senior officials in the Renzong period often got free medicine from the government department even when they were not sick.⁹⁴ Corruption will be discussed further in

⁹⁰ Wang Shengduo. (1995). Part 2 Chapter 7: Huangshi ji guanli kaizhi. In *Liangsong caizheng shi* (1st ed., pp. 443-490). Beijing: Zhonghua shuju.

⁹¹ Che Haigang. (2010, April 13). *Yusuan xinxi gongkai de zhongyao yibu*. Retrieved January 7, 2016, from <http://theory.people.com.cn/GB/11351720.html>

⁹² Wang Shengduo. (1995). Part 2 Chapter 7: Huangshi ji guanli kaizhi. In *Liangsong caizheng shi* (1st ed., pp. 443-490). Beijing: Zhonghua shuju.

⁹³ Wang, Q. (2014, June 9). *Quxiao gongfei yiliao youren tuji "kaiyao"*. Retrieved January 7, 2016, from <http://jndsb.jxnews.com.cn/system/2014/06/09/013146801.shtml>

⁹⁴ Zhou Mi. (1997). Bei ji Shang. In *Gui xin za shi*. Shanghai: Zhonghua Shuju.

chapter 4.

Summary

To sum up, it is clear that the GPAS had five disadvantages which made them the target of criticism in both periods. Although the GPAS of both periods shared common problems, these were caused by different reasons. In contemporary China, the problems were mainly due to the FA framework and the tax-sharing system, whereas in the Renzong period the problems were mainly due to the state policy favored civil officials and the poor objective conditions. Moreover, the data shows that the policy of opposing corruption by increasing salaries failed in both periods. Corruption associated with the GPAS, which will be discussed in detail in the following chapter, was common. In conclusion, the GPAS must be reformed if the government of China wants to cut administrative costs, achieve income fairness among FSP, and win trust from the people.

Chapter 4: Corruption and abuse of public funds

Before the 1980s, China effectively curbed the spread of corruption with a tight and centralized political and management control system that emphasized the populist value of serving the public, military-style discipline, and harsh punishment. However, corruption has become widespread as local governments gained greater autonomy. Furthermore, the development of political and social mechanisms that can be used to fight corruption, such as separation of powers, citizen participation, an independent media, and responsible and accountable governments, is lagging behind.⁹⁵ This is because China's political development is governed by the principle that social stability must be ensured, which slows the progress of political reform in contemporary China.⁹⁶

Economic corruption associated with the GPAS forms an important part of Chinese corruption. Many types of allowance in the GPAS lead to corruption: such allowances are referred to as 'corrupted allowances' (*fubai fuli*).⁹⁷ In modern China, official hospitality, overseas trips for official purposes and official vehicles are the most common corrupted allowances. Although these 'three public consumptions' were established for official purposes, they are often abused for personal interests. It is believed that at least 900 billion yuan per year has been abused on the 'three public consumptions' since 2004, leading to considerable public anger.⁹⁸

In the late 1980s and the early 1990s, the pay level of FSP of China was lower than many other occupations. A popular saying was that 'a person who makes A-bombs earns less than a person who makes tea-eggs' (*zuo yuanzidan de buru zuo chayedan de*)⁹⁹. To

⁹⁵ Dong Ke-yong., Yang Hong-shan., & Wang Xiaohu. (2010). Chapter 5 Public Service Ethics and Anticorruption Efforts in Mainland China. In *PUBLIC ADMINISTRATION IN EAST ASIA* (pp. 95-116). Boca Raton London New York: CRC Press.

⁹⁶ Luo Xiao., & Yu Yi. (2012). Deng Xiaoping de mingzhi zhichu: Xian jingji gaige, hou zhengzhi gaige. Retrieved January 14, 2016, from <http://book.people.com.cn/n/2012/0821/c69360-18793846.html>

⁹⁷ Li Yan. (2013, March 26). *Gongwuyuan "yinxing fuli" weihe rangren youlv*. Retrieved November 25, 2015, from <http://finance.people.com.cn/n/2013/0326/c1004-20921634.html>

⁹⁸ Zhu Lijia. (2006, March 15). *Woguo zhengfu guanli gaige de "sida" qierudian*. Retrieved November 25, 2015, from <http://theory.people.com.cn/GB/49150/49152/4201710.html>

⁹⁹ Cheng Linping. (2008, December 17). *Jiejue naoti daogua caineng tuidong woguo maijin zhishi jingji shidai*.

solve this problem, the government of China has made great efforts to improve the pay of FSP since the mid-1990s. Their incomes are much higher now than before and their job security is guaranteed. However, their official salaries are still not attractive compared with other occupations. For example, the average monthly salary of young government employees in Beijing is 4530 yuan¹⁰⁰ while the income per head of Beijing is 6463 yuan.¹⁰¹ On one hand, many FSP claim that they are low-income earners; but on the other hand, FSP became the most popular occupation in China in the last decade. The number of candidates for the civil service exam leapt from 4,400 in 1994 to 1.52 million in 2014. Why are government positions so popular when pay is so much lower? The secret is the GPAS. Although the salary on the pay slip is not high, allowances greatly offset the loss. Moreover, many allowances of the GPAS are often abused by FSP. The GPAS has provided an environment in which corruption has developed easily to favor FSP.¹⁰²

This chapter will discuss the relative deprivation theory, the concepts of need-based and greed-based corruption, and the Chinese characteristics behind corruption linked to the GPAS. First of all, the definition of corruption will be provided, noting that the thesis will discuss only the corruption associated with the GPAS in contemporary China and the Renzong period. Second, this chapter will discuss the relative deprivation theory, which pinpoints the social conditions contributing to the spread of corruption. Based on this theory, government officials feel deprived when they perceive a failure to obtain the same social outcomes as others. Such unfavorable comparisons may lead to corruption, but the theory cannot explain why some individuals are more susceptible to corruption than others in the same conditions. Thus, it is obvious that motivations of officials have an impact on their corruption. Third, the chapter classifies corruption into

Retrieved January 14, 2016, from http://www.china.com.cn/economic/zhuanli/ggkf30/2008-12/17/content_16963790.htm

¹⁰⁰ Li Changyu., & Li Xingjian. (2015, February 10). *Zuo jiceng gongwuyuan, xuyao yidian qinghuai*. Retrieved November 25, 2015, from <http://politics.people.com.cn/n/2015/0210/c1001-26536436.html>

¹⁰¹ *Beijing shi tongjiju guanyu gongwu 2014 niandu beijingshi zhigong pinjun gongzi de tongzhi*. (2015, June 5). Retrieved November 25, 2015, from http://www.bjstats.gov.cn/tjzn/mcjs/201506/t20150605_293863.htm

¹⁰² Li Yan. (2013, March 26). *Gongwuyuan "yinxing fuli" weihe rangren youlv*. Retrieved November 25, 2015, from <http://finance.people.com.cn/n/2013/0326/c1004-20921634.html>

two major categories: need-based corruption and greed-based corruption. It argues that need-based corruption was ubiquitous in China when officials were underpaid. After the increase of civil service pay, however, greed-based corruption has become more popular in the last decade. Fourth, the chapter argues that there are five Chinese characteristics contributing to the spread of corruption behind the GPAS. Duty consumptions like official vehicles, official hospitality, and overseas trips for official purpose are highly likely to generate corruption.¹⁰³ The chapter will examine official hospitality in order to provide evidence for these native features in modern China and the Renzong period. The case study will demonstrate that corruption linked to the GPAS in modern China and the Renzong period were has been under the double influence of the universal factor and the specific national conditions.

Definition of Corruption

Actions or non-actions should meet four criteria in order to qualify as corruption.¹⁰⁴ First, they must be carried out by officials. Second, the public office must involve a degree of decision-making, law-enforcing or state-defensive authority. Third, the officials must commit the act at least in part because of personal interest. Fourth, the officials must be aware that their actions or non-actions either are or might be considered illegal or improper; in cases of uncertainty, the officials have opted not to check this. Although these four conditions are necessary for the definition, this thesis is primarily concerned with perceptions of corruption. The perceptions can be measured by how popular the specific topics are on the largest search engine Baidu in China. For example, for the two key words 'official hospitality' and '300 billion' (in Chinese, “*gongkuan chihe*” and “*tanwu*”), there are about 3,770 media reports. The large number of media reports on Baidu shows that official hospitality is widely perceived to be corruption. This measurement is not very accurate, since it is difficult to use other

¹⁰³ Gong, T., & Wu, A. (2012). Does Increased Civil Service Pay Deter Corruption? Evidence from China.

Review of Public Personnel Administration, 192-204. Retrieved November 25, 2015, from <http://rop.sagepub.com>

¹⁰⁴ Holmes, L. (1997). Corruption and the crisis of the post-communist state. [Electronic version]. Crime, Law & Social Change, 27, 275-297.

sources of data. Hence, if actions or non-actions are widely perceived to be corruption, as inferred from survey data, newspaper reports, or even public allegations, then they are treated as corruption for the purposes of this thesis.¹⁰⁵

In the Chinese context, the formal legal specification of corruption is based on the 1997 Chinese Criminal Law (CCL), which clarifies different types of corruption according to various actors, behaviours and motives. The legal definition is not limited to economic corruption. According to the CCL and the Law Yearbook of China, corruption can be categorized into economic and non-economic variants. However, only economic corruption associated with the GPAS will be analyzed in this thesis. Economic corruption includes seven types but only three of them are related to the GPAS. They are embezzlement (*tanwu*), misappropriation (*nuoyong gongkuan*), and unauthorized dispersion of state properties (*jiti sifen*).¹⁰⁶

Relative deprivation theory

Gong and Wu summarize the development of the relative deprivation theory. Merton (1938) was the first to develop this idea and the idea was further formulated into a theory of relative deprivation by Davis (1959), Gurr (1970), and Crosby (1976). These studies all concur that people feel deprived when, in social comparisons, they perceive a failure to obtain the same outcomes as others. Kulik, O'Fallon, and Salimath further suggest that such negative self-feelings may result in corruption or foster the conditions underlying the emergence of corruption. Gong and Wu believe that relative deprivation is the social reason for corruption in China.¹⁰⁷

Need-based and Greed-based Corruption

¹⁰⁵ Holmes, L. (1997). Corruption and the crisis of the post-communist state. [Electronic version]. *Crime, Law & Social Change*, 27, 275-297

¹⁰⁶ Ko, K., & Weng Cuifen. (2012). Structural Changes in Chinese Corruption. *The China Quarterly*, 718-740. Retrieved November 25, 2015, from <http://journals.cambridge.org/CQY>

¹⁰⁷ Gong, T., & Wu, A. (2012). Does Increased Civil Service Pay Deter Corruption? Evidence from China. *Review of Public Personnel Administration*, 192-204. Retrieved November 25, 2015, from <http://rop.sagepub.com>

Relative deprivation theory, however, cannot explain why some individuals are more susceptible to corruption than others. Consequently, the motivations for corruption must also be considered. These can be classified into two major categories: need-driven and greed-driven. A corrupt act is considered to be need-based corruption when grossly underpaid low-level officials corrupt to pay for basic necessities, such as food. Alternatively, corruption can be attributed to the greed of individuals for wealth. Greed-based corruption is more apparent among well-paid officials in higher-level positions, as they do not need to rely on bribery for survival. There is an increasing trend of greed-based corruption among lower-level officials in modern China.¹⁰⁸

Chinese characteristics

Since taking over as secretary-general of the CCP in 2012, Chinese President Xi Jinping has cracked down on corruption within government. In comparison to his predecessor Hu Jintao, Xi Jinping has punished a much higher number of officials and many more provinces and government departments have been implicated in graft cases. A number of members of the top leadership, including former Politburo Standing Committee member Zhou Yongkang, have been arrested and imprisoned. Xi has paid particular attention to remedying hedonism and extravagance among officials, declaring that the central leadership of the CCP has a policy of zero tolerance for any corruption whether big or small.¹⁰⁹ Luxurious official hospitality and official vehicles have been expressly forbidden by Xi Jinping, since these duty consumptions, which are considered to be disguised allowances in China, and are a great source of corruption.¹¹⁰

Although corruption is a world-wide issue, it is deeply influenced by native features in China. Yanying Mao describes five specifically Chinese characteristics behind the

¹⁰⁸ *ibid*

¹⁰⁹ Sui Xiaofei. (2013, January 29). Xi Jinping zuochu pishi yaoqiu: Lixing jieyue fandui langfei. Retrieved January 14, 2016, from <http://cpc.people.com.cn/n/2013/0129/c64094-20354667.html>

¹¹⁰ Guo Zhengang. (2006, June 14). Zhiwu xiaofei bushi "zhiwu fuli" Retrieved January 14, 2016, from <http://www.southcn.com/opinion/pe/200606140320.htm>

corruption associated with official hospitality: the political power framework, the hospitality system, the budget system, cultural factors, and the supervision system.¹¹¹ Although these Chinese characteristics are particularly manifested in corruption related to official hospitality, they can be partly applied to the corruption behind other allowances too.

In summary, the GPAS has provided an environment in which corruption develops easily. The relative deprivation theory, combined with the concepts of need-based corruption and greed-based corruption, explain this phenomenon. Moreover, the theory of Chinese characteristics explains why corruption linked to duty consumptions is much more popular in China than in other countries. Hence, the chapter will argue that the GPAS must be reformed to prevent the loss of public funds.

Data

Duty consumption, especially the *sangong xiaofei*, plays an important role in the GPAS in China and causes a great deal of corruption. This has led to strong public criticism of the GPAS, because of the huge waste of state funds and consequent corruption. Thus, the people have called on the government to deepen reform, and political leaders have responded with a promise to cut spending. Therefore, the chapter will discuss official hospitality as a case study of corrupted allowances.

Duty consumption refers to consumption carried out by government employees using public funds in the process of performing their duties. Official hospitality is an important part of this consumption. However, there is an increasing amount of duty consumption carried out *outside* the process of executing public affairs. According to Mao, duty consumption can be divided into three categories: essential consumption,

¹¹¹ Mao Yanying. (2010). Gujin zhongguo zhiwu xiaofei duibi yanjiu. Retrieved November 17, 2015, from http://d.g.wanfangdata.com.cn/Thesis_Y1874401.aspx

luxury consumption, and corruption. In official hospitality, regular working meals are considered essential consumption, whereas luxury banquets are seen as luxury consumption and even corruption. “Banquets” refers to grand formal lunches and dinners financed by public funds. These banquets are usually irrationally expensive and officials often consume expensive wine and food, causing a great loss of public funds, which will be discussed later.

The standard for working meals established by the state is “four dishes and one soup”¹¹² in a staff canteen or regular restaurant. However, FSP often break this rule and have banquets in luxurious restaurants. For instance, seventeen officials of the Red Cross Society of China, consumed 9859 yuan for one lunch in 2011. This exceeded the set standard for working meals, 150 yuan per person, by 7309 yuan.¹¹³ But even a 150-yuan meal is extravagant for most people; 150 yuan accounted for 8.3% of per capita monthly income in China in 2011.

The Red Cross’s luxury lunch is not a special case; rather, it is very common in modern China and few people in similar situations have been disciplined. These law-breakers would not have been punished if this case had not been exposed by the media. According to a survey conducted by National Bureau of Statistics of China in 2012, a city mayor attends 15.1 banquets per week and a county magistrate 18.2 banquets per week; that is, more than three banquets per working day. Moreover, the expense for official hospitality experienced a dramatic increase from 37 billion yuan in 1989 to 670 billion yuan in 2006.¹¹⁴ The money abused on official hospitality is more than twice the expenditure on defense in the same year.

Sometimes, the banquets are paid for by public funds in the name of construction or

¹¹² Su, Y. (Ed.). (2013, January 7). Cong “sicai yitang” kan canzhuo shang de xinfeng. Retrieved January 14, 2016, from http://news.xinhuanet.com/politics/2013-01/07/c_124192074.htm

¹¹³ Li, Q. (2011, April 21). *Zhongguo hongshizihui xinwen fayanren: gaoe canfei shu yanzhong weigui xingwei*. Retrieved November 26, 2015, from http://news.xinhuanet.com/fortune/2011-04/21/c_121332679.htm

¹¹⁴ Mao Yanying. (2010). *Gujin zhongguo zhiwu xiaofei duibi yanjiu*. Retrieved November 17, 2015, from http://d.g.wanfangdata.com.cn/Thesis_Y1874401.aspx

public services, and officials use false invoices to apply for reimbursement. Even more seriously, the financial burden is transferred to restaurant owners if the governments have no funds to pay for their consumption. In Ledong County, Hainan Province, an owner had to close her restaurant because the local government refused to pay a debt of 470 thousand yuan. The restaurant was forced to close only three years after it opened in 2007.¹¹⁵ In some regions, the victims cannot protect their interests legally because even the officials of local law courts will not enforce the debt. Unfortunately, these are not isolated cases¹¹⁶, and corruption in official hospitality, is only one aspect of corruption linked to the GPAS. Many other GPAS allowances, such as overseas trips for official purposes and official vehicles, result in similar corruption. Corruption linked to official hospitality is not isolated, but representative of other cases in modern China. Use of official vehicles, which will be discussed in chapter 5, is another typical case. Promotion of these cases in official and unofficial media has led to serious public distrust of the GPAS and, more broadly, in the government as a whole.

Historically speaking, duty consumption allowances existed since the Sui Dynasty (581-618), and were developed further in subsequent dynasties¹¹⁷. By the Northern Song Dynasty, the GPAS had experienced great development and many new allowances for post consumption arose in the Renzong period, as was discussed in Chapter 3.

Official hospitality in the Renzong period could be divided into two categories. One category was the allowances offered to individuals, with standards depending on their official ranks.

1. Food supply and meal money for servants of senior officials: the value of this allowance varied from 2000 wen (the unit of currency of Northern Song) to 50,000 wen per month. The basic monthly wage of a junior official with the lowest rank

¹¹⁵ *Hainan ledong: Ganbu shezhang chihe canguan qiankuan nanshou*. (2003, September 8). Retrieved January 14, 2016, from http://news.xinhuanet.com/newscenter/2003-09/08/content_1070104.htm

¹¹⁶ *Hebei Yangyuan: Guojia zhongdian fuchi pinkunxian fandian bei ganbu chi daobi*. (2003, August 11). Retrieved January 14, 2016, from http://news.xinhuanet.com/newscenter/2003-08/11/content_1019834.htm

¹¹⁷ Huang Huixian & Chen Feng (eds) (1996). *Zhongguo fenglu zhidu shi*. Wuhan: Wuhan daxue chubanshe.

was only 300 wen.¹¹⁸ Thus, it is clear that this allowance was very costly.

2. The supply of tea, wine, rice, and flour for senior officials: officials above a certain rank could receive these daily. The amount of the supply was quite considerable. For example, the officials were supplied with 1-5 liters of wine daily.
3. The supply of firewood, charcoal, and salt for senior officials: these goods are essential for preparing meals. A senior official could receive as much as 420 kilograms salt in a year.
4. The extra supply of rice, flour and meat for senior officials: these goods were offered irregularly.

The other category was allowances offered to collectives. The Renzong government established ‘public-use money’ (*gongshiqian*) for official hospitality. The sources of public-use money included financial allocation from the central government and profit from state operated business. The cost of official banquets was very expensive in the Renzong period, as in the case of Yangzhou prefecture mentioned above. According to the laws of the Northern Song, these allowances were not officially corruption. However, since they are widely perceived to be corrupt, as inferred from public allegations, then they are treated as corrupt acts for the purposes of this thesis.

In summary, it is clear that the GPAS provided the conditions for widespread corruption in both periods.

Discussion

Contemporary China

After examining official hospitality and correlative corruption, the chapter provides several new insights into the corruption associated with the GPAS. First of all, the negative self-feelings of relative deprivation result in these corruption or foster the

¹¹⁸ *ibid*

conditions underlying the emergence of these corruption. Thus, many FSP feel deprived in comparison to others in society — crucial given the importance of “face” in the Chinese social structure. In the early 1990s, many officials resigned from government positions and went into business for better pay. For the officials who chose to stay at their positions or did not succeed in business, corruption become a practical way to increase their living standards.

Second, compared with embezzlement and misappropriation, corruption via the GPAS is low-risk. In fact, very few officials are caught or punished due to this kind of corruption. Furthermore, the law-breakers would not suffer from a sense of guilt. For example, some officials assert that luxury official banquets are not corruption as long as they do not put the money into their pocket.¹¹⁹ Although the government of China has formulated many regulations to fight against the corruption, the enforcement of these regulations is weak.¹²⁰

The social concept of *mianzi*, or “face”, can explain why “luxury” is so crucial to the GPAS in China. Alvin M. Chan argues that: "On the connotative level, *mianzi* stands for the kind of prestige or reputation achieved through getting on in life, through success and ostentation. The loss of *mianzi* simply means that a person does not deserve the honour or glory." ¹²¹ Yi Zhongtian argues that official banquets are very popular because it is a way for officials to show that how much *mianzi* they have; the more expensive the banquets are, the more *mianzi* the host and the guest have. If an official is not invited for a banquet, or if the banquet is not expensive enough, he/she will very likely to feel that the host does respect him/her. Then he/she will likely to hinder the host in future to win back *mianzi*. Similarly, if a guest refuses the invitation of a banquet, it is an offence to the host, which make the host loss *mianzi*. Consequently, holding and

¹¹⁹ Mao Yanying. (2010). Gujin zhongguo zhiwu xiaofei duibi yanjiu. Retrieved November 17, 2015, from http://d.g.wanfangdata.com.cn/Thesis_Y1874401.aspx

¹²⁰ Guo Yanbo. (2014, May 14). *Meiti jie zhongguo guanchang fanju: meitian 82 wan ge yinian chidiao 3000yi*. Retrieved November 26, 2015, from <http://finance.people.com.cn/n/2014/0514/c1004-25013068.html>

¹²¹ Chan, A. (n.d.). The Chinese Concepts of Guanxi, Mianzi, Renqing and Bao: Their Interrelationships and Implications for International Business. Retrieved January 14, 2016, from http://www.anzmac.org/conference_archive/2006/documents/Chan_Alvin.pdf

attending luxury official banquets is a crucial factor in the development of work and social relationships. The pursuit of luxury should be regarded as a social trend as well as an economic trend¹²².

Third, in parallel, there has been a transition from need-based corruption to greed-based corruption in contemporary China. Before the 1980s, civil service pay was insufficient, necessitating need-based corruption, through corrupted allowances, to satisfy the requirements of daily life. This need-based corruption was not very serious in economic terms, due to the lower economic standards, the tightly centralized political and management control system, and the spirit of dedication promoted by the CCP.¹²³ After the substantial pay increases (including wages and legal allowances) of FSP since 1994, greatly increased remuneration for civil servants has not led to a decline of corruption in China. Instead, as public perceptions suggest, the data shows that the corruption behind the GPAS became more and more serious since the 1990s. For example, the public funds spent on official hospitality increased by 1711% from 1989 to 2006. Thus, it is clear that there is an increasing trend of greed-based corruption in recent decades.¹²⁴

Finally, the development of corrupted allowances has been impacted by Chinese native characteristics, which, using Mao's framework, are listed below.¹²⁵

- The power framework of Chinese government affects this form of corruption. In China, superiors have the power to assess inferiors' work performance, decide their career future, and allocate resources to them. Thus, inferiors always do their best to provide luxury banquets and gifts to superiors to please them and receive rewards.

¹²² Yi Zhongtian. (2006). Xianhua 《xianhua zhongguoren》. In Xianhua zhongguoren (1st ed.). Shanghai: Shanghai wenyi chubanshe.

¹²³ Dong Ke-yong., Yang Hong-shan., & Wang Xiaohu. (2010). Chapter 5 Public Service Ethics and Anticorruption Efforts in Mainland China. In *PUBLIC ADMINISTRATION IN EAST ASIA* (pp. 95-116). Boca Raton London New York: CRC Press.

¹²⁴ Gong, T., & Wu, A. (2012). Does Increased Civil Service Pay Deter Corruption? Evidence from China. Review of Public Personnel Administration, 192-204. Retrieved November 25, 2015, from <http://rop.sagepub.com>

¹²⁵ Mao Yanying. (2010). Gujin zhongguo zhiwu xiaofei duibi yanjiu. Retrieved November 17, 2015, from http://d.g.wanfangdata.com.cn/Thesis_Y1874401.aspx

- The official hospitality system provides a legal basis for corrupted allowances. The expense of official hospitality is listed in the government budget and appropriated from government finance. Thus, officials can abuse public funds for corrupted allowance without risk. Apart from hospitality, official vehicles and overseas travel for official purposes are also covered by the same practice.
- There is no budgetary restriction for these allowances. No matter how expensive the banquets are, officials can still claim payment from the governments as long as they can provide invoices. Very few officials are disciplined for abusing state funds. This principle also applies to other allowances like official vehicles.¹²⁶
- Chinese culture also has an effect on corrupted allowances. Apart from the principle of maximizing *mianzi*, the ‘official-centered culture’ in China (*guanbenwei*) plays an important role in the GPAS. Official vehicles are a typical example of this. As long as an official reaches a certain administrative rank, he/she may be eligible to receive an official car for work.¹²⁷ The higher rank an official has, the better car he/she can receive from the government. In many cases, the allowances are not for the demands of work, but for the vainglory of officials.¹²⁸
- The absence of valid supervision and punishment has resulted in the spread of corrupted allowances in China. This extends to legislative supervision, administrative supervision, and social supervision. Moreover, officials who violate the regulations usually escape punishment even if their corruption is exposed.

The Renzong Period

The situation relating to corrupted allowances in the Renzong period was similar to

¹²⁶ Sun, J. (Ed.). (2011, March 9). *Du liming: tuijin gongwu yongche gaige shizaibixing*. Retrieved November 26, 2015, from http://news.xinhuanet.com/politics/2011lh/2011-03/09/c_121166144.htm

¹²⁷ Chu, C. (2009, August 19). *Heilongjiang daqiang chegai ceng fengguang yishi gaige bu chedi chuxian daotui*. Retrieved November 26, 2015, from <http://news.sina.com.cn/c/2009-08-19/034516145369s.shtml>

¹²⁸ Li, Z. (Ed.). (2015, August 3). *Changdao gongche gaige guanyuan diyiren: xuduo ren dui wo you yijian*. Retrieved November 26, 2015, from http://news.xinhuanet.com/local/2015-08/03/c_128085994.htm

contemporary China in several respects.

First of all, the majority of officials suffered from the feeling of relative deprivation, so corruption was widespread. As mentioned in Chapter 1, the officials of Northern Song were divided into senior officials and junior officials, with substantial income gaps between them. Senior officials were further divided into nine grades of rank. Only senior officials above the fifth grade could enjoy high salaries and many allowances.¹²⁹ Wang Anshi, leader of the reformists, declared that the minimum monthly housekeeping of a senior official was 100 thousand wen, much higher than the wage of most officials.¹³⁰ The income of these officials only barely the basic needs of living.¹³¹ Some officials of the central government requested to be transferred to other localities with lower living costs. For junior officials, the situation was much worse because the government did not provide salaries to them on a regular basis,¹³² and they usually obtained income through embezzlement and bribe-taking. Therefore, most officials of the Renzong period suffered from feelings of relative deprivation, so corruption became unavoidable.

Second, corruption of the officials in the Renzong period could also be divided into need-based corruption and greed-based corruption. Need-based corruption was common among the majority of officials with low or even no salary. However, the relation between the GPAS and their corruption is not clear, because many of them were not involved in the GPAS, and instead, their corruption took the form of embezzlement and bribe-taking. This type of corruption was defended by the political reformists Fan Zhongyan and Wang Anshi. In contrast, greed-based corruption through the GPAS was usually carried out by senior officials with high administrative ranks. They were eligible for high salaries and many junior allowances, whereas other officials were excluded

¹²⁹ Huang Huixian & Chen Feng (eds) (1996). Chapter 6: Liangsong fenglu zhidu. In *Zhongguo fenglu zhidu shi*. Wuhan: Wuhan daxue chubanshe.

¹³⁰ *ibid.*

¹³¹ *ibid.*

¹³² *ibid.*

from the GPAS.¹³³

Finally, the corruption linked to the GPAS in the Renzong period was also impacted by several native features, similar to contemporary China. These Chinese characteristics can be revealed by considering official hospitality, but can be applied to other types of corruption related to the GPAS. First, government employment was conducted in an authoritarian fashion, which affected the corrupted allowances. Chinese culture, especially ‘official-centered culture’ and catering culture provided a cultural basis for corrupted allowances. Since the Renzong period was in a feudal dynasty, official-centered culture had an even stronger impact than in modern China.¹³⁴ Second, the GPAS, like official hospitality system, provided a legal basis for corrupted allowances. Thus, officials could abuse public funds for these allowances without any risks. Third, there was no strict restriction on the government budget for these corrupted allowances: the government provided ‘public-use money’ for official hospitality. Also, the central government authorized officials to raise funds through state-run trade and even illegal fund collection from the people to support official hospitality.¹³⁵ Fourth, the absence of valid supervision and punishment led to the spread of corrupted allowances. Administrative supervision was absent because the corrupted allowances were justified by the common view that officials’ income was low. The government was tolerant for this widespread need-based corruption, and many officials abused this tolerance to defend their greed-based corruption.¹³⁶

It is surprisingly that China’s government has a much higher tolerance to corruption. As mentioned before, official banquets become a part of government employees’ work in China and few people get punishment even those corruptions are reported. Such phenomenon is almost inconceivable in many countries and areas like Japan, US, Singapore and Hong Kong.

¹³³ *ibid*

¹³⁴ *ibid*

¹³⁵ *ibid*

¹³⁶ *ibid*

Summary

Based on the above discussion, it is clear that corrupted allowances existed in both periods and that such corruption could be divided into need-based and greed-based corruption. Moreover, these were all impacted by relative deprivation and Chinese characteristics.

However, differences exist between contemporary China and the Renzong period. First of all, the feeling of relative deprivation affects officials of all ranks in modern China, while senior officials with high ranks in the Renzong period were immune from such negative feelings. In contemporary China, even the salaries of senior officials are comparatively low, due to the tradition of Maoist egalitarianism, so no officials escape from the sense of relative deprivation. Hence, there is more corruption due to relative deprivation in modern China than the Renzong period. Second, the distinctions between need-based and greed-based corruption have different characteristics. It must be emphasized that the corruption discussed here is confined to the corruption associated with the GPAS. In modern China, there has been a transition from need-based corruption in the early stages of reform to greed-based corruption in later stages. The motivations behind corrupted allowances in modern China are characterized by this transition. In contrast, the distinction between need-based and greed-based corruption was due to the administrative ranks of officials in the Renzong period. Officials with high ranks were corrupt because of greed, and the others because of need. The motivations behind corruption were characterized by the ranks of officials.

In summary, while corruption linked to the GPAS has caused great damage in both periods, it is even more serious in modern China. Apart from the relatively rapid economic growth and higher overall standards of living, all FSP in modern China are covered by the GPAS, while only senior officials in the Renzong period were covered. Given the harmful long-term effects of corruption in the Renzong period, this comparison makes the need for reform in modern China all the more obvious.

Chapter 5: Reforms to the GPAS

Since the late 1990s, government employees' irrationally high allowances and corrupted allowances have invited more and more criticism from the public. Although the financial revenue of the government increased by 22.5 times in the past twenty years¹³⁷, people feel that this economic development does not benefit their livelihood. For example, as mentioned above, the government of China spends more funds on official hospitality than on education and public health. In fact, many people's lives have become harder than before due to the rapidly increasing living cost, especially in education, medical care service and housing.¹³⁸ The leadership admits that the shortage of investment for improving public livelihood is due to the overspending on the governments' administrative cost, the great part of which is the cost of the GPAS.¹³⁹ For example, the government spent 3000 billion yuan on official hospitality in 2006 while only 178 billion yuan was invested on public medical care.¹⁴⁰ Therefore, the top leadership of China has promised to cut the spending on some primary allowances in order to save money for improving the people's livelihood.

Furthermore, the economic slowdown also required the government of China to be put on a tight budget. The Asian financial crisis in the late 1990s and the global financial crisis in 2008 had a serious impact on the economy of China. The political leaders are aware that the fiscal revenues of China will not grow as fast as before. Thus, cutting the cost of the GPAS has become imperative for the governments of China.¹⁴¹ Reforms which focus on different sub-systems of the GPAS like the official vehicle system have

¹³⁷ National Data. (n.d.). Retrieved December 23, 2015, from <http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0802&sj=2014>

¹³⁸ Lei Zhilong. (Ed.). (2010, January 29). *Chengzhong de "xin sanzuo dashan"*. Retrieved December 23, 2015, from <http://book.people.com.cn/BIG5/69399/107424/180913/10879229.html>

¹³⁹ Yang Lina. (Ed.). (n.d.). Chinese premier asks public to supervise government. Retrieved December 23, 2015, from http://news.xinhuanet.com/english/china/2013-03/17/c_132240073.htm

¹⁴⁰ National Data. (n.d.). Retrieved December 23, 2015, from <http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0802&sj=2014>

¹⁴¹ Li Keqiang yuefasanzhang: Caizheng gongyang ren yuan he sangong jingfei zhijian buzeng. (2013, March 17). Retrieved January 14, 2016, from http://news.ifeng.com/mainland/special/2013lianghui/jizhehui/detail_2013_03/17/23192087_0.shtml

been attempted, but their effects have been limited; ultimately they did not reduce spending on the GPAS, and expenditure on some allowances even increased after reform.

Moreover, the government of China was keen to issue administrative orders to fight against the misuse of public funds and corruptions associated with the GPAS.¹⁴² It is intended that officials who break these orders are disciplined with administrative punishments. These anti-corruption campaigns, however, usually cannot achieve the desired effects either. The public criticism is that these campaigns are ‘a gust of wind’ (*yi zhen feng*), meaning that they do not last for long. In fact, even the political leaders have agreed with this.¹⁴³

This chapter discusses the ideas — marketization, monetization and "the rule of man" (*renzhi*) — which have underpinned previous reforms of the GPAS and anti-corruption campaigns. Furthermore, it uses the reform of the official vehicles system in contemporary China as a case to demonstrate the features of these reforms, while using reforms to ‘official farmland rent’ in the Renzong era as a historical comparison. It will argue that these reforms and campaigns cannot solve the problems of the GPAS because they did not go to the core of the problem, which is that the power of government need to be balanced by law and that the officials must be supervised by the public, especially the media. Without rule by law and the supervision of the public, these reforms and campaigns cannot reduce the cost of the GPAS; in fact, they even worsen the problems in some aspects.

Theory

Marketization

¹⁴² Gao Xu. (n.d.). *zhongyang fan langfei wenjian zhi duoshao heshi dong zhenge?*. Retrieved December 23, 2015, from <http://datanews.caixin.com/2013-11-26/100602093.html>

¹⁴³ Zheng Duanduan. (n.d.). *Xi Jinping fan fubai "sidian yaoqiu" chuandi sha xihao?*. Retrieved December 23, 2015, from <http://cpc.people.com.cn/n/2015/0114/c241220-26380752.html>

Ideological systems crucially affect social welfare policy. Social welfare policies are usually designed as responses to social problems and development, and they are often guided by dominant ideological values. Although the GPAS is not a social welfare system, it has been strongly affected by the great transformation of ideology in contemporary China. Before the 1980s, Maoism was the dominant ideology in the PRC. Mao believed that the basic needs of all should be satisfied, and the distribution of wealth had to be relatively fair. Unlike Western European countries, China's welfare was in a decentralized form, based on grass-roots work units (*danwei*). Every individual work unit could be regarded as a self-managed and self-financed "mini-welfare state". The idea was to use welfare benefits as a means of supplementing FSP's low wages. However, state-led welfare development caused various problems: uncontrollable public budgets, inefficient public services, and resource waste.¹⁴⁴

From the 1980s onwards, Deng Xiaoping's market socialism became the dominant ideology in China. Deng believed that the market option is the only way to bring the country through the slow economic growth. The sharp contrast between Mao and Deng also reflects a dramatic dissimilarity in the domain of social welfare.¹⁴⁵

Therefore, this chapter will focus on how marketization affects the reforms of the GPAS. In recent years, marketization became an important principle of the reforms of the GPAS. It must be made clear that the marketization of the GPAS is different from the overall marketization of the economy in modern China. The latter refers to the conversion of a national economy from a planned to a market economy,¹⁴⁶ whereas the former only refers to the conversion of the supply of some allowances from governments to the market. The funding and regulation of the GPAS still relies on government.¹⁴⁷

¹⁴⁴ Li Xing. (1999). The transformation of ideology from Mao to Deng: Impact on China's social welfare outcome. *International Journal of Social Welfare*, 8(2), 86-96.

¹⁴⁵ *ibid*

¹⁴⁶ Definition of marketization in English. (n.d.). Retrieved December 23, 2015, from http://www.oxforddictionaries.com/definition/american_english/marketization

¹⁴⁷ Li Xing. (1999). The transformation of ideology from Mao to Deng: Impact on China's social welfare outcome. *International Journal of Social Welfare*, 8(2), 86-96.

However, there is a close relationship between the marketization reforms of the GPAS and the marketization of the economy. First of all, the marketization of the economy established a highly developed market in modern China, whereas before the 1980s, it was impossible for people even to use a taxi, due to the lack of a market for transportation. Moreover, marketization provides ideological support for the reforms of the GPAS. Without the ideological emancipation of Dengism, marketization would still be regarded unfavourably. Therefore, Deng's market socialism ensures the marketization reform of the GPAS by preparing a developed market and an ideological emancipation.

Economic man

Monetization is another principle of the reforms of the GPAS in contemporary China. Marketization and monetization are two sides of one coin. The essence of monetization reforms is the conversion of the form of allowances from material objects and services to money. The governments provide money allowances to FSP so they may buy commodities and services from the free market.

The monetization of the GPAS is based on the theory of 'economic man'. According to standard economic theory, the basic characteristics of an agent are rationality and self-interest. Typically, economic man is characterized by self-interested goals and a rational choice of means.¹⁴⁸ This theory can explain the luxury duty consumptions in contemporary China; since there are no budget restraints or strict supervision of duty consumption, FSP consume as much as possible in the pursuit of self-interest. Seeing this, some local governments have intended to carry out monetization reforms to control unlimited duty consumption by officials. They have first set up standard money allowances for duty consumptions of officials. Then these money allowances are

¹⁴⁸ Gerschlager, C. (n.d.). Beyond economic man: Adam Smith's concept of the agent and the role of deception. Retrieved December 23, 2015, from <http://www.cairn.info/revue-cahiers-d-economie-politique-2005-2-page-31.htm>

distributed to every individual FSP. If officials overspend, they must cover the deficit by their own money. Similarly, if officials underspend, they can keep the balance as a subsidy. Consequently it is expected that officials would spend as little as possible on duty consumptions in the pursuit of self-interest.¹⁴⁹ Proponents of this reform expect that the monetization reforms can reduce the cost of the GPAS. However, the results did not meet expectations, and in some regions, duty consumptions used even more public funds after such reforms.¹⁵⁰

Rule by Man (renzhi)

Besides marketization and monetization, China's government also has a tradition of using political movements to fight against waste and corruption of public funds. Although there is a complete legal system in China nowadays, it seems that the CCP prefers political movements to the legal system. From Mao Zedong's 'the struggles against the three evils (corruption, waste and bureaucratism)' (*sanfan*) to Xi Jinping's 'eight provisions' (*baxiang guiding*), the top leaders are keen on initiating political movements. In the current anti-corruption campaigns, Xi is using these Maoist strategies much more than other post-Mao leaders. The leadership prefers issuing administrative orders to strengthening the existing legal order as a means of fighting against unethical behaviors of officials. Officials who violate these administrative orders usually are punished with administrative penalties and/or CCP disciplinary measures, rather than legal sanctions. Political leaders play a crucial role in these movements. In the first anti-corruption case in the 1950s, Mao Zedong even interfered with judicial authority, instructing a law court to sentence two embezzlers to death.¹⁵¹ Although these political movements have some positive effects, the popularity of such practices shows that the rule by man still plays a crucial role in modern China. The rule of man functions in contrast to the rule of law. It is a society in which one person, or a

¹⁴⁹ Zhuang, J. (2013). Economic analysis of the monetization of consumption in the public sector. *Journal of Beijing Institute of Technology*, 15(6), 77-80.

¹⁵⁰ Guo Meihong. (n.d.). *Pinkun xian quxiao gongche jian qianwan zhichu que xu fa 4000wan chebu*. Retrieved December 23, 2015, from <http://money.163.com/14/0804/11/A2Q4T2HK002534NV.html>

¹⁵¹ Yang Jintao. (n.d.). *Jiemi xin zhongguo diyi tanwuan shimo*. Retrieved December 23, 2015, from <http://history.people.com.cn/n/2014/1029/c372327-25932991.html>

group of persons, rules arbitrarily.

Rule by man is not a new phenomenon in China. Until the early twentieth century, Chinese traditional administrative ideas about ethics were dominated by Confucianism. Moral values and convictions were believed to be of ultimate importance for the administration of the state.¹⁵² However, this requires officials to have a tremendous amount of self-discipline. Unfortunately, not many people can reach such standards, so corruption and waste of public funds are very common in modern China. This is shown by the fact that 67,679 officials were punished because of corruption and waste in 2014 in China; based on public perception, this is just the tip of the iceberg.¹⁵³

After the founding of the PRC, the Confucian tradition, coupled with Marxism, cultivated a new type of bureaucratic ethics. It is clear that “the rule by man” is a key characteristic of Chinese political thought. It is closely related to the so-called “mentality of officialdom worship” in which Chinese society worships officials and despises the public. This corrodes legal sanctity. When instructions from a higher authority violate laws or regulations, lower authorities will not oppose them. Overall then, it is difficult for government officials to forge conscientiousness and a sense of public service.¹⁵⁴ Consequently, the current campaigns mainly rely on officials instead of the public. The local leadership has a vested interest in supporting the GPAS, so many officials lack the will to reform the GPAS.

Moreover, since the anti-corruption campaigns depend on the rule by man rather than the rule of law, there is another serious limitation: leaders’ campaigns stop when their power expires, and leaders may cease campaigns at any time if they change their mind. Therefore, these anti-corruption and anti-waste movements are characterized by

¹⁵² Dong Ke-yong., Yang Hong-shan., & Wang Xiaohu. (2010). Chapter 5 Public Service Ethics and Anticorruption Efforts in Mainland China. In *PUBLIC ADMINISTRATION IN EAST ASIA* (pp. 95-116). Boca Raton London New York: CRC Press.

¹⁵³ He Tao. (2014, August 28). Geji jijian jiancha jiguan dingjin "sifeng" wenti yansu zhiji wenze. Retrieved January 14, 2016, from <http://fanfu.people.com.cn/n/2014/0828/c64371-25554345.html>

¹⁵⁴ *ibid*

temporality. The public describes these movements as ‘a gust of wind’.¹⁵⁵

Case studies

Official vehicle reform in contemporary China

The theories above have influenced reforms to the GPAS in modern China. The official vehicle reform scheme (OVR) (*gongche gaige*) is a typical case study of reform characterized by marketization, monetization and rule by man. The OVR, which began in 1994, is still ongoing. In the late 1990s, there were about 3.50 million official vehicles in China. Governments also employ a large number of full-time drivers to serve the cadres. The official vehicle system causes high levels of waste and corruption for several reasons. First, officials and drivers often abuse official vehicles for their private business. In recent years, the usage of official vehicles has been divided into three parts: one third for official business, one third for officials’ private affairs, and one third for drivers’ private affairs.¹⁵⁶ Second, officials usually purchase luxury cars because of loose budgetary restrictions; luxury brands like Audi, Mercedes-Benz and Land Rover are often seen in official vehicle auctions,¹⁵⁷ an obvious waste of public funds. Third, the expense on the maintenance of official vehicles is much higher than private vehicles. The maintenance cost of an official car is 3000 yuan per thousand kilometer, while a private car only costs 820 yuan. Fourth, officials and drivers often misappropriate public funds, using fake invoices of fuel filling and vehicle maintenance.¹⁵⁸ The official vehicle system has cost the Chinese government about 300 billion yuan annually since the late 1990s.

In 1994, the central government released the first administrative regulation of allocation

¹⁵⁵ Zheng Duanduan. (n.d.). *Xi jinpin fan fubai “sidian yaoqiu” chuandi sha xihao?*. Retrieved December 23, 2015, from <http://cpc.people.com.cn/n/2015/0114/c241220-26380752.html>

¹⁵⁶ Ren Weidong. (2013, November 18). *Guangmin ribao: zhili gongche siyong xu zhidu he chufa bingju*. Retrieved December 23, 2015, from <http://cpc.people.com.cn/pinglun/n/2013/1118/c78779-23575320.html>

¹⁵⁷ Fan Yunbo. (Ed.). (n.d.). *Yiliang che mai 600 yuan “baicai jia”? gongche paimai you jianjia*. Retrieved December 23, 2015, from http://news.xinhuanet.com/fortune/2014-09/01/c_1112300827.htm

¹⁵⁸ Ma Fuchun. (Ed.). (n.d.). *Gongche cheng zisheng fubai de wenchuang weiyuan jianyi jiakuai tuijin gongche gaige*. Retrieved December 23, 2015, from <http://npc.people.com.cn/GB/11064305.html>

and usage of official vehicles. Given the decentralization of the GPAS, the OVR was carried out by local governments and public institutions. Although there have been some minor differences among the reforms of different regions and units, these reforms from different localities share three fundamental features: marketization, monetization and rule by man.

First, marketization is an important principle of the OVR. Governments have progressively reduced the direct provision of vehicles and driver services by outsourcing the services to market. Governments only keep a limited number of cars and drivers; redundant cars are sold at auctions and redundant drivers are dismissed or transferred to other posts, like bus drivers. Apart from a small number of senior officials and some specific departments (like police), officials are required to purchase transportation service from the market. They need to travel by bus, train, taxi or their private cars. The governments and units provide money allowances instead of vehicles and drivers. In some regions, marketization reforms have resulted in reducing expenditure on the official vehicle system. For example, the government of Hangzhou City cut 38% cost (about 40 million yuan) in three months after implementing the reform in 2009. This was achieved only in the first stage of OVR in Hangzhou.¹⁵⁹ In other words, Hangzhou could save even more public funds if the reform had been performed in all relevant units.

Second, monetization is closely associated with marketization in the OVR. The essence of the monetization reform is the conversion of the form of welfare, from cars and driver services to money. The standards of money allowance for transportation are based on the administrative ranks of FSP. The higher rank an official has, the more subsidy he/she may receive. Moreover, these standards vary among regions and departments due to the decentralization of the GPAS. FSP of rich regions, powerful departments and profitable units usually receive more allowance than others. The State Council stipulates that the

¹⁵⁹ Huang Yuhao. (n.d.). *Hangzhou jiwei qiantou qiangtui chegai*. Retrieved December 23, 2015, from http://news.sina.com.cn/c/sd/2009-08-19/083018465789_5.shtml

monthly allowance for junior officials is 500 yuan, 800 yuan for middle-rank officials, and 1300 yuan for senior officials.

Third, the OVR is pushed by strong leaders rather than by a complete legal system. These reforms greatly rely on rule by man, and support from leadership has become the determining factor. It is obvious that the majority of vested interests are opposed to the OVR. The previous official vehicles system not only benefited the officials economically, but also provided them with a sense of social superiority. Many officials feel humiliated if they need to commute by public transportation. Furthermore, the FSP who are eligible for official vehicles are usually CCP members; most are also leading cadres. Opposition from those officials is very strong, potentially strong enough to defeat attempts at reform. Thus, a strong central leadership is required to ensure the success of the OVR. For example, the government of Daqing City was the first local government implementing the OVR; it was used as the pattern for others to learn from. However, the success of the reform in Daqing was based on the support from the top leadership of this city rather than a mature legal system. When the support from the top leadership disappeared, the reform has regressed considerably. The situation in Daqing nowadays is that official vehicles and money allowances for transportation coexist, and the problems of the OVS in Daqing has become worse than before.¹⁶⁰

Reforms to official farmland rent in the Renzong Period

Official farmland rent was one of the most important allowances for officials of local governments. The local governments leased official farmland to tenant farmers to collect grain as tax. The governments then used this grain to subsidize officials. The official farmland rent system caused several serious problems. First, there were enormous local differences of individual income due to the decentralization of this system and different economic levels among localities. Even for officials with the same

¹⁶⁰ Zhu Chaoxin. (2011, December 31). *Heilongjiang daqing chegai ceng fengguangyishi gaige bu chedi chuxian daotui*. Retrieved January 14, 2016, from http://www.qstheory.cn/special/5684/5686/5691/sbcgc/201108/t20110831_107018.html

administrative rank, the differences in allowance in different regions could be as large as fifty times.¹⁶¹ Moreover, this system also caused serious corruption because of the lack of supervision and the inordinate tolerance of the leadership. Although the system was designed by the central government, it was operated by local governments. The central government established standards for official farmland rent, but many officials appropriated more than the standards required. As discussed in chapter 4, these officials went unpunished in most cases. Therefore, this official farmland rent system caused huge financial burdens for the public in the Renzong period, just as the official vehicle system has done in modern China.

Emperor Renzong intended to perform monetization reforms to solve these problems. According to the reform proposal, the authority of running official farmland system would be centralized by the central government. The central government would collect all official farmland rent of the whole kingdom, then pay local government employees with equivalent money. However, Renzong changed his mind before the initiation of the reform because of the expectation that the reform would be too difficult.¹⁶² There was no opportunity to carry out the proposal until 1070, when the subsequent emperor, Shenzong, reigned. The implementation of this monetization reform was mainly based on support from Shenzong. From this, it is clear that the rule by man had the same influence in the Northern Song Dynasty than in modern China. Without support from the emperor, it was impossible for reformists even to make proposals for reform, let alone actually implementing them.

Discussion and Comparison

The OVR has had some success in reducing the cost of official vehicles. According to the *People's Daily*, the annual cost of official vehicles has dropped from 300 billion

¹⁶¹ Wang Shengduo. (1995). Part 2 Chapter 7: Huangshi ji guanli kaizhi. In *Liangsong caizheng shi* (1st ed., pp. 443-490). Beijing: Zhonghua shuju

¹⁶² Huang Huixian & Chen Feng (eds) (1996). Chapter 6: Liangsong fenglu zhidu. In *Zhongguo fenglu zhidu shi*. Wuhan: Wuhan daxue chubanshe.

yuan to 200 billion yuan in the last decade. But it also has caused several new problems.

First, marketization does not necessarily cut costs. Rather, it has been abused by officials to pursue unjustified interests in some regions. For example, many government departments of Guangzhou City have leased luxury cars long-term to evade the OVR policy. Public funds are still being wasted; the only difference is that they are wasted in a marketized way.¹⁶³

Monetization also causes problems. First, the most frequently noted problem is that the standards of money allowance based on administrative ranks are unfair to officials with lower ranks. According to the current policy, FSP with higher ranks receive higher money allowances than others with lower ranks, even though the demand for transportation is not determined by officials' rank; in fact, junior officials may travel more than senior officials. In order to reduce the cost of travel, many officials choose to reduce their business trips, even though it affects their regular work. Second, the money allowance becomes another source of unjustified income for officials. While the State Council of China established standard for cash allowances, many local governments and public serving units create their own standards, usually higher than the national one. For example, the monthly cash allowance for senior officials in one department in Shenzhen City has attracted public criticism: it is 6800 yuan, four times more than the national standard and more than most people's regular salary.¹⁶⁴ Thus, it is believed that the cash allowance has already become a new form of corrupted allowance. Third, different local standards intensify the income gap among FSP in different regions. While some senior officials can receive 6800 yuan per month in Shenzhen City, their peers in Shanxi Province can only get 1625 yuan. Fourth, the monetization reform may cause heavier financial burdens in poor regions. Before the monetization reform, official vehicle services were a privilege for certain FSP. However,

¹⁶³ Chen Fang. (n.d.). *Xinmin wanbao: zuyong chaobiao haoche yeshi "sangong fubai"*. Retrieved December 23, 2015, from <http://opinion.people.com.cn/GB/16390052.html>

¹⁶⁴ Zhang Hui. (Ed.). (n.d.). *Shenzhen guoqi laozong meiyue chebu 6800 yuan fuzong cheng genben bugao*. Retrieved December 23, 2015, from http://news.xinhuanet.com/youqing/2014-10/30/c_127157473.htm

all FSP are eligible to receive cash allowance for commuting after the reform. In some poor regions, the monetization policy does not cut the cost but greatly increases it. For example, the cost of the official vehicle system was 10 million yuan in a poor city of Hubei Province before OVR, but after the monetization reform, the cost of cash allowance increased to 40 million yuan.¹⁶⁵

Finally, the rule by man causes great uncertainty in reform. The State Council has provided guidelines for OVR, so the reforms in different regions are the same in essence but differ in minor points. However, these similar reforms achieve very different results, due to the rule by man in different localities. As mentioned above, support from the leadership is the key to successful reforms in China. The implementation of national reforms requires support from the national leadership, but support from the center is not sufficient for the success of the reforms in localities. The backing from the local leadership is as important as the top leadership due to the decentralization of the GPAS. This is the main reason why these similar reforms lead to very different results in different places. In fact, the reform may have different results in different periods in the same place if there is a leadership transition or their change of political position. The revision of OVR in Daqing is obvious evidence for this. Another undesirable effect of the rule by man is the temporality of reforms, which is why the public often hold the negative view that many reforms are just ‘a gust of wind’.

The above points, especially the rule by man, can also be applied to reforms of other sub-systems of the GPAS. Hence, although the governments of China have performed a number of reforms in housing, medical care service, official hospitality and the like of the GPAS, the cost of the GPAS still remains high.

The rule by man is also the most important feature of the reforms of the GPAS in the Renzong period. The emperor and the local officials both played important roles in

¹⁶⁵ Guo Meihong. (n.d.). *Pinkun xian quxiao gongche jian qianwan zhichu que xu fa 4000wan chebu*. Retrieved December 23, 2015, from <http://money.163.com/14/0804/11/A2Q4T2HK002534NV.html>

those reforms. First of all, the reformists needed to get the permission of the emperor before carrying out their proposals. There were two major reform movements in Northern Song Dynasty: one in the Renzong period and one in the Shenzong period (1068-1085). Renzong was a moderate emperor. When the bureaucrats opposed the reform, he quickly abandoned the reform movements. Emperor Shenzong was a radical reformer; although the majority of bureaucrats were against the reform, Shenzong still persisted in the reform for his whole reign. However, despite the strong support of the emperor, the efforts of the reforms were defeated in the Shenzong period too. The failure of the reform was mainly because of the lack of coordination of local bureaucrats. This took two forms. On one hand, the opponents were not willing to implement reforms in their regions. On the other hand, many so-called 'reformists' performed the reform policies with a motive of seeking promotion. In order to accomplish their aim, these officials pursued reforms with administrative power even though the reform policies were not suitable in the area under their jurisdiction. The reform resulted in opposite effects in many regions. Since there were many problems, the reform was completely abolished as soon as Shenzong died. Therefore, it is clear that the rule by man was the most important feature of the reforms in Northern Song Dynasty and usually it resulted in the failure of reforms.

As in modern China, monetization was one of the principles of the reforms in the Renzong period. Although Renzong did not have a chance to implement the monetization reform, his successor Shenzong did it in the reform of official farmland rent system. Compared with modern China, however, there was limited monetization in Northern Song Dynasty, due to the less developed money system. As for marketization, it was not seen in the reforms of the GPAS in Northern Song Dynasty.

Based on the above discussion, even if marketization reform did not exist in the Renzong period, the reforms of the GPAS in modern China and the Renzong period share several common features. First, the reforms in both periods were unsuccessful in cutting the cost of the GPAS. Second, the reformists of both periods chose monetization

as a principle of reform, although to different extents. Third, the most important common feature is that the reforms of both governments all relied on the rule by man. It is understandable that the reforms of the Renzong period relied on the rule by man because of its historic limitations, but nowadays those limitations do not exist, given the rapid development of the economy, technology and politics. However, the reforms of the GPAS in modern China still depend on the rule by man. The CCP must share at least part of the blame for the problems caused by the rule by man.

According to the Tenth United Nations Congress on the Prevention of Crime and the Treatment of Offenders, independent legislative organization, juridical organization and media organizations must be developed and strengthened in order to prevent and fight against corruption.¹⁶⁶ However, in contemporary China none of these institutions are independent enough to help to prevent misuse and corruption of public funds in the GPAS. First, as mentioned in Chapter 3, although the budget proposals of the GPAS must be approved by the People's Congress (the legislature of China), the People's Congress has never rejected those proposals. It is clear that the People's Congress is only a "rubber stamp" under the CCP governance. Second, the Central Commission for Discipline Inspection (CCDI), which plays an important role to fight against corruptions, is a subordinate body of the CCP. Wang Qishan, the secretary of CCDI, has publicly noted that many cadres of CCDI are not willing to supervise officials and some even help corrupt officials to escape punishment. Only 1575 CCDI cadres were punished in 2014 because of their illegal acts.¹⁶⁷ Third, there is insufficient media independence in modern China. According to Qian Gang, director of the China Media Project in The University of Hong Kong, there is still tight control of media coverage in China.¹⁶⁸ Although CCP has performed media reform, it has been performed under the principle of "the party control media" (*dangguan meiti*). Overall, none of the

¹⁶⁶ Kaizhan guoji hezuo daji kuaguo fanzui: 21shiji de xin tiaozhan fan tanwu fubai jiangxiban beijing wenjian. (n.d.). Retrieved December 23, 2015, from http://www.un.org/chinese/events/10thCrimeCong/187_9.html

¹⁶⁷ Zhongyang jiwei chixu fali yanfang "dengxiahei". (n.d.). Retrieved December 23, 2015, from http://www.ccdi.gov.cn/gzdt/zzrs/201502/t20150215_51487.html

¹⁶⁸ Qian Gang. (2006). Daoxiang•jiandu•gaige•ziyou——tougou meiti yuci fenxi kan zhongguo xinwen chuanmei. In *Twenty-First Century*, 95, 4-16. Retrieved from http://www.cuhk.edu.hk/ics/21c/issue/articles/095_0411082.pdf

necessary preconditions for long-term success of the GPAS reforms exist in contemporary China. A moral leadership may ensure short-term success in their regions, but history already proved that their works stop when their power expires. The CCP, as the only governing party of modern China, must take responsibility for this dilemma.

It is not wrong to choose marketization and monetization as the basis of reforms to the GPAS. But these only treat symptoms of the GPAS and not the root cause of the problem. This is that while the system is managed by officials, their power is not balanced or supervised by other organizations, such as legislative organizations, juridical organizations, and the media. Although reformists realize that the GPAS must be reformed in order to cut the huge cost and to fight corruptions, they rely on the power of officials to reform instead of using the power of law and social supervision. The power of officials, especially the power of leaders, is important to reforms, but is never sufficient. In fact, it has been demonstrated that the rule by man is more likely to lead to the failure of the GPAS reforms. To expect that officials will act against their own vested interests is unrealistic. Even though the reforms may be successful in a few places for a time, success does not last for long and cannot be copied for the rest of the whole country. As Premier Li Keqiang said, during the course of the reform, vested interests will be upset and the government will shatter its own powers: it is not nail-clipping but taking a knife to one's own flesh. The top leadership promises that they are determined to keep going until the job is done no matter how painful it may be.¹⁶⁹ However, the lessons of Northern Song Dynasty and many cases mentioned in the thesis show that the top leadership of modern China may be too optimistic.

Summary

In conclusion, the governments of modern China and the Renzong period tried to

¹⁶⁹ Tang, S. (n.d.). *Li Keqiang: jianzheng fangquan bushi "jian zhijia" shi "gewan" renting yedei xiadao*. Retrieved December 23, 2015, from <http://lianghui.people.com.cn/2015npc/n/2015/0315/c394537-26695086.html>

reform their GPAS to cut its huge cost. The ancient reformists chose monetization as the direction, while the modern reformists chose monetization and marketization. These reforms mainly relied on supervision by officials who had a vested interest in maintaining the GPAS. Furthermore, necessary conditions of successful reforms, such as the rule by law and the social supervision, were purposely neglected. Therefore, the efforts of these reforms were defeated in both periods and the cost of the GPAS kept increasing.

It is clear that reforms of the GPAS cannot be successful if the governments only treat symptoms and not the root cause. At least, independent legislative organizations, juridical organization and media organizations must be developed and strengthened in order to prevent and fight against corruption.

Chapter 6: Conclusion

The scale of the Chinese GPAS is unique; it is a symptom both of historical factors and of China's recent economic explosion. However, the GPAS cannot be sustained indefinitely; given China's economic contraction and the level of public dissatisfaction, it must be reformed rapidly and effectively. This thesis set out to support the hypothesis that the GPAS should be the main focus of future reforms to public institutions in contemporary China. In order to fulfil the aim, this thesis has discussed four research questions: why merely cutting FSP cannot reduce the public administrative cost; what disadvantages the GPAS has; how the GPAS is linked to corruption; and why the previous reforms of the GPAS failed.

Crossing the fields of public administration and ancient Chinese history, the thesis assessed the FSP and GPAS in both the Renzong period of the Northern Song dynasty and in contemporary China, comparing the two periods because of the many economic similarities between them. In short, the close links between the expense on the GPAS and the failure of the Northern Song means that the party-state and the public of Contemporary China should be particularly concerned about the current situation.

The thesis began by contextualizing the trend of increasing FSP in contemporary China and the Renzong period. While the scale of the state has been targeted as a means of reducing the state's financial burden, the thesis argues that merely cutting FSP cannot reduce the fiscal pressure; rather, the thesis demonstrates that any reforms which aim to greatly reduce administrative cost must concentrate specifically on reforming the GPAS. While there are many factors — particularly the clash between the authoritarian central government and decentralized local governments, coupled with Chinese political and social culture — which explain *why* the GPAS has come to exist, these do not justify its continued existence in its current form.

The thesis thus goes on to demonstrate that the GPAS, in both contemporary China and the Renzong period, is and was costly, unfair, and irrational, and provided an environment in which corruption develops easily and rampantly. The greatest problem associated with the GPAS is corruption, and the thesis analyses some root causes of this problem. It demonstrates that, although the governments of both periods originally implemented the GPAS for the benefit of public servants, it was greatly abused. Official hospitality is a typical example, demonstrating the extent of this abuse and the vast waste of public revenue, increasingly motivated by greed.

Successful reforms to the GPAS in the whole country can only be achieved when a mature legal system and effective social supervision exist in modern China. This requires the government of China to deepen its political reforms, which are lagging behind so far. While the current leadership has not reformed politically, it should be conceded that it is working hard to address corruption: increasing the transparency of government budgets is an encouraging first step.

It is clear that the crisis with GPAS existed in the Renzong period is similar to what people have seen in modern China today. The comparison between contemporary China and the Renzong period is significant because it provides a new thinking and the preparation for the study of the reform of GPAS in China. Many administrative management systems in contemporary China are the results of historical continuity of Chinese political economic systems. The Hukou system in all ages in China is a very typical example. It is believed that the GPAS of modern China began to vary as it continued to keep its tradition. Because of this subject's deepness and extent, further research is required to discover the law of such historical continuity.

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