Discussion on the Excessive Growth of Administrative Expenses of Public Expenditure and Countermeasures

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ABSTRACT

With the establishment of socialist market economic system and the transition of government function, it’s necessary to set up public finance suited to market economy, where corresponding fiscal expenditure structure is included, to reflect the demand of market economy for government functions. But as the important part of national public expenditure, its excessive expansion will bring huge financial burden. This paper analyzes the problems and causes of administrative expenses in China and put forward some suggestions.

KEYWORDS

Administrative expenses, excessive growth, International Conference, suggestions.

PREFACE

Ziping Wei (2009) pointed out that our government, especially the local government in the administrative activities, regardless of the cost of the phenomenon is more prominent for a long time, and there are unreasonable phenomena both in the scope of financial expenditure and structure. Yuling Ren (2006) said when interviewed by Times Commercial Daily reporter, we need to have a lot of money, health, education and development of underdeveloped areas are looking forward that more financial funds can be tilted and transferred to them, which requires government agencies to lead to contain soaring administrative fees.

THE GROWTH OF ADMINISTRATIVE EXPENSES IN CHINA

According to China Statistical Yearbook and other sources, the author gets the following data:

1. The absolute amount of administrative expenses has been consistently growing. China's administrative expenses increased rapidly from 4 billion 909 million in 1978. By 2006, it was 563 billion 905 million yuan, an increase of nearly 114 times, an average annual growth rate of 31%.

2. From 1978 to 2006, the annual administrative expenses of per capita burden in China increased from 5.50 yuan to 575.97 yuan, which is an increase of 105 times. At the same time, the per capita GDP growth was only 42.22 times, and the per capita fiscal revenue and expenditure increased by 26.38 and 25.07 times respectively.

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The proportion of administrative expenses to fiscal expenditure is too high. By 2006, the proportion is up to 13.95%, which was only 4.38% in 1978, and it’s far higher than other countries. The average cost of the international administrative expenses accounted for by the IMF is 15.6%. Among them, the average of high-income countries is 9.5%, of which Germany is low, 6.9%; the top middle-income countries are 12.3%, of which Poland is 8.5%; the lower middle-income countries were 14.9%, of which Romania was 6.5%; Low income countries accounted for 18.1%, of which India was 11.99%. China belongs to the lower middle-income countries.

The growth rate of administrative expenses is higher than the growth rate of fiscal expenditure for a long time. The growth rate of administrative expenses divided by growth rate of fiscal expenditure in China is only about 0.9 before 1995. By 2006, it was 1.85, more than doubled, seriously deviating from the normal range. At the same time, many developed countries in the world are in the range of greater than 0 less than 1.

PROBLEMS AND CAUSES OF EXCESSIVE GROWTH OF ADMINISTRATIVE EXPENSES

Theoretical Explanation

German economist Adolf Wagner examines the data of Europe, America and Japan, and concludes that with the increase of national income, financial expenditure will increase in a larger proportion; with the increase of per capita income, the proportion of government expenditure to GDP has also increased accordingly. The process of industrialization has brought more economic and social problems, but also gave the government more management functions, administrative expenses will increase. China is in the period of rapid economic development, industrialization and urbanization, and Gross National Product and per capita income have been greatly improved.

According to Wagner's law, the increase of administrative expenses has its inevitability.

Problems in the Practice of Administrative Expenses in China

(1) The financial budget system is imperfect. Any system is designed to regulate certain behavior. However, if the system is not perfect, it can not only play a normative role, on the contrary it can even cause more trouble. Under the current budget system of our country, those who have surplus project if not timely check in at the end of the year, not only on account of money in savings to the state, on the contrary, the next year will reduce the budget. This will lead to various departments will try to spend every penny, not save administrative costs as much as possible. This system will eventually lead to unwarranted waste of state financial funds and in the process of administrative activities, administrative management fees increase rapidly, and administrative costs are high. The financial budget system lacks the strong restriction to the government department. In this budget model, the rapid growth of China's administrative fees will become inevitable.
(2) The transformation of government functions is not in place. The government function has "offside" situation, and the government manages a lot of things that should not be managed by the government, which results in high administrative costs. Due to historical reasons, the scope of power of our government is too large, and the intervention in economy and society is too much. Our government always manages so many things and even configurator resources instead of market, which results in the expansion of government administrative cost. For example, social organizations and business guilds should be operated by an enterprise or by a non-profit organization. However, in the reality of our country, the government plays an important role.

(3) The government institutions and personnel management is not in place, resulting in the expansion of administrative cost. China's government institutions are large and have many administrative levels. Our government is divided into five levels: Central, provincial, municipal, county, and township (town) level. In addition to establishing functional departments corresponding to the central ministries and commissions, governments at all levels have also set up many temporary institutions with local characteristics. Too many administrative levels not only make the increase of institutions and staff, which will inevitably lead to a huge increase in the required funds, but also affect the efficiency of government work, increase the number of uplink information communication, then the government greatly increased the cost of operation. On personnel configuration, not only the overstaffing phenomenon is serious, there are also lots of business borrowing personnel, employing a large number of another personnel situation. These funds are paid by the government, and the actual financial burden is much larger than the scope of the civil service.

(4) The Chinese public consumption cost of spending is out of control. Chinese government always likes to do grandiose things to impress people. In addition to the office expenses caused by numerous conferences, in recent years, the government organized by the so-called "training", "forum", "summit", "exhibition", "celebration" and other activities intensified, "meeting" is often held in high-grade hotels, scenic resort. Moreover, "Three funds" that is free to go abroad, official reception, bus purchase, is huge. In 2008, some scholars put forward the statement of "three 300 billion", that is 300 million for going abroad on public funds, 300 million for official receptions and 300 million for official vehicle. The Ministry of finance declared that it was not so high, but cannot get the specific data. According to the estimation of scholars, present, only 1/3 of the bus running funds are used for public service in our country, and the unit cost of bus transportation is much higher than that of social vehicles. The central government has issued a number of documents aimed at strengthening the control of official reception and public expenditure abroad, but with little success. Local governments are often under the banner of "training" and "investment", continuing to eat and drink, travel abroad or even a big consumer.

THE FINANCIAL PATH OF CURBING THE EXCESSIVE ADMINISTRATIVE EXPENDITURE

As the ultimate executor of administrative activities, the government plays an important role in the administrative activities. Deepen the reform of administration, the transformation of government functions, building a service-oriented government of business enterprise, deepening the budget system reform, improve the financial
expenditure structure, to improve administrative efficiency and reduce administrative costs to.

**Speeding up the reform of the budget system and controlling the excessive growth of administrative expenses**

Some useful explorations have been made on the reform of the government budget system in China. Some local governments have implemented zero-based budgeting. Since 1980s, the base number in the base accounts has been increasing year by year, only increasing and decreasing, the expenditure is high, and the financial debt is aggravating. But now the situation has changed. In addition, the treasury centralized payment system gradually implemented in 2003, from the system put an end to the financial funds were diverted, misappropriated, interception. In the reform of the current budget system, we can learn from foreign experience and adopt performance budgeting method, and we can link the appropriation with the public services provided by the Department, calculate the budget expenditure according to the project performance, and completely change the budgeting model based on the manpower to the budget model based on the work. Through the reform of the financial budget system, we can actively promote the reasonable growth of administrative fees and save the administrative cost effect.

**Optimizing the structure of financial expenditure and reducing the proportion of administrative expenses**

Whether the fiscal expenditure is reasonable or not depends not only on the total amount of expenditure and the ratio of the total amount to GDP, but also on the internal structure of the total amount, that is, the structure of expenditure. The problem we face is that the proportion and growth rate of administrative fees are too high, and the proportion of the corresponding social expenditure is low. It should be acknowledged that the expenditure of the central government in social welfare and social security has increased more than ten times since 1997. However, according to the data in the blue book of education, in the 8 years from 1995 to 2003, the proportion of cultural and educational expenditure in the financial expenditure structure has only increased by less than 1%. At the same time, administrative fees have increased by 4.4%. So, the unreasonable structure of expenditure is the most prominent problem. To curb administrative expenses rising momentum, firstly, we should optimize the structure of fiscal expenditure, strengthen the government's own reform and development, change the functions of the government, let the government have for, have not for the government to intervene in the market, reduce the transaction to ensure that the government can solve, centralized resources to solve the education, employment, housing, social security, medical and other livelihood issues. On this basis, through the rational allocation of human resources, accelerate the reform of institutions, reduce the financial support of the population, at the same time, strong compression meetings, receptions, official vehicles and other expenses, reduce administrative costs, benefit the people's livelihood.
Reducing the financial support population and controlling the abnormal growth of administrative expenses

China's current financial burden of the population mainly includes the government administrative system at all levels and some institutions, and such a huge population size will inevitably lead to the rapid growth of administrative fees. Therefore, if we want to optimize the structure of financial expenditure and reduce the proportion of administrative fees, we must actively promote the system of province directly under the county, strictly control the financial support of the population and reduce the financial burden of population size. We should actively reduce the administrative level of administrative system, steadily implement the county system directly under the provincial government and reduce the proportion of financial support population at county and township level. Besides, we also should deepen the reform of public institutions and reduce the financial support population of public institutions.

CONCLUSION

Reducing and controlling administrative cost is a complex and huge systematic project. It involves both the public budget system reform, budget legal construction and other institutional work, and involves specific budget preparation, implementation and other technical work. It requires not only the efforts of the government itself, but also the concept change and supervision of the whole society.

To reduce and control administrative costs is not to say that the lower the better. There is no denying the fact that the operation of the government really needs the support of the cost. However, the administrative cost must be reasonable, effective and transparent. Therefore, the administrative cost control is not simply reduced the cost of the total, but profound analysis of the composition of the cost, analysis of the reasons and the trend of its growth, to meet the requirements of government functions, to meet the economic and social development. We must constantly optimize the structure of administrative costs, so that it can maximize the benefits, so as to build a highly efficient and conservation oriented government.

In recent years, our government has paid more and more attention to the administrative cost control. Decentralization, anti-corruption, and intensify efforts to reduce administrative expenses, make us see the government's determination to control administrative costs. We believe that the Chinese government has the courage to make drastic reforms, and the construction of a conservation minded government will succeed.

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