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The Shanghai Administrative Reform in the Last Decade: More Rationalisation and Marketisation?*

Che-po Chan and Ren Xiao

Since the last decade, the Shanghai government has carried out administrative reforms towards the goals of rationalisation and marketisation. Various reform measures have been implemented, including, for example, segregation of government and enterprises (zheng qi fen kai); reduction of administrative examination and approval (jianshao xingzheng shenpi); and devolving some of the government functions to the third sector. Among various measures, probably the setting up of a new local government in the Pudong New Area is the most significant. After the examination of different aspects of the Shanghai administrative reforms, we conclude that the goal of the reform has been set correctly but without enough bold and innovative attempts. We suggest that further administrative reforms in Shanghai should be implemented with more rationalisation and marketisation in order to build up a true market economy without administrative interference from the government.

The role of local Chinese government is important in steering the direction of local economic development. It is said that in the transition of Chinese economy from a planned to a market mode and from a purely domestic ownership to a mixed domestic and international ownership, the government's management role should shrink and market forces should dominate. 'Small government' could be more suitable for market economy. Nevertheless, what we have witnessed in China so far is that the active involvement of the local governments, in some aspects, have impeded economic transformation, while in other aspects, have facilitated economic change more successfully. In the process of economic change, local governments adapt themselves

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