Beyond Weber: Conceptualizing an Alternative Ideal-Type of Bureaucracy in Developing Contexts

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The study of public administration in developing countries requires that we look beyond the Weberian model as the only ideal-type of bureaucracy. When we assume that there exists only one gold standard of public administration, all other organizational forms that do not fit the Weberian ideal are written off as corruption or failures. Drawing on neo-institutional economics, I introduce an alternative ideal-type of bureaucracy found in China. Termed bureau-franchising, this model combines the hierarchical structure of bureaucracy with the high-powered incentives of franchising. In this system, public agencies can rightfully claim a share of income earned to finance and reward themselves, like entrepreneurial franchisees. Yet distinguished from lawless corruption, this self-financing (or prebendal) behavior is sanctioned and even deliberately incentivized by state rules. Although such a model violates several Weberian tenets of "good" bureaucracy, it harnesses and regulates the high-powered incentives of prebendalism to ameliorate budgetary and capacity constraints common to developing countries like China.

Keywords: Bureaucracy; developing countries; Weberian; corruption; prebendal; incentives; China

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1. Introduction

"Where the 'model bureau' does not exist, it is obviously futile to ask questions about what does exist as though it were a 'model bureau.' The first task is not to make this assumption, but to ask: 'What does in fact exist?' One may discover, of course, that what exists is not at all a bad thing."

Fred Riggs, *Public Administration in Developing Countries*, p. 9

In China, even within a county government, some agencies are evidently more privileged than others. The Construction Bureau is a clear example of the "haves." In a county I visited in Shandong province, the Construction Bureau was one among few public agencies to possess and to occupy its own building, separate from the main government facility that was overcrowded with other departments.[1] Whereas other agencies I interviewed complained about financial pressures and occasional wage arrears, only the Chief of the Construction Bureau confidently declared, "We don't have such problems in the construction cluster. Others do, but we are fine" (B2011-275). Indeed, the Construction bureau boasts a fleet of money-making extra-bureaucracies (including a greening office, construction management office, rural construction management office, construction materials assessment center, construction design institute, and real estate development company, to name some), which are all public entities, but operate like private, profit-making contractors. As the Construction Bureau Chief stated, "If our subsidiaries make money, they can pay themselves. The county government does not pay them. After deducting costs from revenue, the surpluses belong to them." Employees of

[1] This article draws on interviews with over 284 local cadres, conducted between 2006 and 2011. To maintain the anonymity of these interviewees, I do not identify their name or specific location. Instead, I cite interviews by the year in which the first interview was conducted, followed by an ID assigned to the interviewee. Information about the distribution of these interviews and the implementation procedures is contained in a methodological appendix (see OMIT 2016, Appendix B).

the Construction Bureau and its extra-bureaucracies were among the best-paid in the county.

The bureaucracy described above contradicts a key principle of public administration. According to Weber, public organizations should not command "ownership of the means of production or administration" (1968, pp. 218-219). In other words, public agencies are not supposed to "own" the income they generate. Any revenue collected, such as regulatory fees and user charges, must be turned over to the state treasury, and then public revenue would be reallocated based on formal budgetary rules. Within a government, we do not expect to see some agencies enjoying more staff benefits and more lavish furnishing than others simply because they generate more income. And yet, in China, it is openly acknowledged that financial disparity across agencies exists at all levels of government. These public agencies behaved literally like entrepreneurial companies.

If the bureaucracy that one finds in China appears inconsistent with Weberian norms, should we conclude that this bureaucracy is corrupt or dysfunctional?

Many observers subscribe to a binary view of public administration: if an organization does not fit conventional gold standards—the Weberian model—then it must be *defective*, rather than simply *different*.[2] China observers, too, have based their evaluation of organizational efficacy on Weberian norms. For example, Xiaobo Lu applies the blanket label of "organizational corruption" to the self-financing behavior of Chinese bureaucracies. Taking the Weberian model as his reference point, Lu sums up the nature of China's bureaucracy critically, "Rather than the effective, coherent, and omnipotent bureaucracies some scholars once attributed to them, they had become... more approximate to what Weber described as patrimonial officialdom" (Lu, 2000, p. 290).

Likewise, cross-national indices adopt a single set of benchmarks. For instance, Evans and Rauch measure the quality of bureaucracies in developing countries according

[2] This assumption is also prevalent in the historical study of non-Western societies, as Victoria Hui sharply notes, "When we take the European experience as the norm and non-Western experiences as abnormal, we are led to 'search for what went wrong in other parts of the world'" (Hui, 2005, p. 9; see also Wong, 1997, p. 210).

to their adherence to Weberian precepts of organization, or what the authors term "Weberian-ness" (1999; 2000). The Worldwide Governance Indicators (WGI) is another prominent example. Issued annually by the World Bank, the WGI ranks the quality of governance across countries on a continuous scale from the best—benchmarked by countries like the U.S., Denmark, and Finland—to the worst.[3] By itself, this measure implies that any variance from the standards of the developed countries is a *negative* deviance.

When there is only one ideal-type in place, we may only perceive variance as differences in *degree*, rather than as categorical differences in *type* (OMIT, 2016, p. Chap 1). Failing to recognize categorical differences poses serious policy and practical implications. In the context of psychology, it would be like measuring human intelligence according to a single benchmark of how well one scores on standard IQ tests, ignoring all other types of intelligence not captured by such numerical tests.[4] In public administration, measuring the quality of bureaucracy only by Weberian standards would mean that all deviations found in developing countries—such as the prevalence of personal relations and self-financing (or what Weber termed prebendal) practices—are perceived as defects that must be immediately abolished and replaced by best practices from the West. Yet numerous studies show that the implantation of best practices often does not fit the context of developing countries and has even backfired, creating a stubborn dissonance between formal rules and actual practices (Andrews, 2013; Riggs, 1964; Rodrik, 2007).

To advance the study of public administration in developing countries and to formulate meaningful reforms, we need to first conceptualize more than one ideal-type of bureaucracy. Without such an alternative, we may only conceive of institutional features in developing contexts as "Weberian" or "not Weberian" (or in the analogy of psychology, as "smart" or "dumb"). Lacking such an alternative, we cannot even

[3] The WGI includes six dimensions: voice and accountability; political stability; regulatory quality; government effectiveness; rule of law; control of corruption (Apaza, 2009).
[4] On the theory of multiple intelligences that has revolutionized education practices, see (Gardner, 1983).

accurately describe the many anomalies observed in developing contexts. As Riggs writes over half a century ago, “Can we identify the kind of transitional administrative system that exists today in reality? I think we can, but to do so we shall have to employ some new words and concepts which cannot be found in the standard literature on public administration” (1964, p. 10). This objective of this article is precisely to introduce these “new words and concepts” by outlining an alternative ideal-type of bureaucracy found in China.

The model of bureaucracy witnessed in China is essentially a regulated and relatively disciplined variant of prebendal public administration. Following Weber, a prebendal administration is one that finances itself through extraction (such as by exacting fees), rather than receives stable budget appropriations from the state. This description alone would lead us to cast prebendalism as corruption because an administration that finances itself through extraction must be susceptible to abuses of power. That is true. I submit, however, that there are distinct advantages to prebendalism that have been overlooked—akin to franchising (or contracting), prebendalism is a high-powered incentive scheme, wherein public agents are highly motivated to finance themselves. Of course, in developed countries, there is no need for public agencies to do so because governments can afford to pay them. Conversely, in developing countries and among local governments in China, budgetary shortages are the norm. In this context, public agents who are motivated to self-finance actually presents an advantage. The internal rules of revenue-generation and budgeting within the Chinese bureaucracy were evolved to incentivize self-financing while mitigating its risks.

To interpret the Chinese case in generic organizational terms, I apply concepts from neo-institutional economics. Following the classic work of Coase (1937) and Williamson (1975), neo-institutional economists posit two alternative modes of organizations: markets vs. hierarchies. As they indicate, neither of these two models is inherently superior to the other; whichever model is better depends on the type of transactions involved. Extending this logic to public administrations, the Weberian model is not always the best. Advanced market economies require predictable, nonextractive administration, so the Weberian model is ideal. Developing and transitional economies, on the other hand, require bureaucracies that can finance their own operations entrepreneurially and take initiative and risks to address new problems that emerge during transition. Particular to this context, China presents an alternative ideal-type of bureaucracy that I term *bureau-franchising*, the hybrid of a hierarchical appointment structure with the high-powered incentives of franchising (or contracting).

The rest of the article will proceed as follows. Applying a neo-institutional framework, the next section will lay out the distinction between the Weberian and bureau-franchising ideal-type. In this section, I will also underscore the important differences between New Public Management (i.e., reforms to introduce corporate practices into public administrations in Western developed countries) and China's bureaucratic practices. Then I will detail four concrete features of bureau-franchising, drawing on extensive interviews. And finally, I will conclude with questions for further research.

2. Two Ideal-Types of Public Bureaucracy

2.1. The Weberian Ideal-Type

In his incisive study of the modernization processes taking place in Western Europe, Weber pointed to the emergence of a new bureaucratic species and ideal-type. In contrast to pre-modern institutions of governance, modern bureaucracies are "legal-rational." As Weber observes, such organizations are rules-bound, specialized, hierarchical, meritocratic, and above all, salaried. To be salaried means that civil servants receive sufficient and regular wages from state budget allocations—in exchange, they are barred from exploiting the prerogatives of office for personal gain (such as by taking bribes or pocketing public revenue). In Weber terms, modern public officials are not allowed to have "ownership of the means of production or administration" (1968, pp. 218-219).

Although the legal-rational and salaried characteristics of bureaucracy are taken-for-granted among scholars of public administration in developed countries, it is worth reminding that such qualities are a recent novelty in the long history of human development.[5] As Weber points out from a historical perspective, state bureaucracies were for centuries *patrimonial* (governed on the basis of personal relationships and loyalties) and *prebendal* (self-financed through rents extraction). Imperial governments and feudal lords rarely paid public servants regular wages for their services. Instead, political agents were assigned "prebends"—licenses to extract rents from public office as "forms of maintenance." Prebendalism was practiced throughout Chinese history (Zelin, 1984). Up until the late Qing dynasty, as one historian describes, "Salaries failed to cover the real costs of obtaining and holding office, [and] officials, as a matter of course, resorted to collecting fees (*guifei* or *lougui*) from their subordinates or the people in their jurisdictions" (Hickey, 1991, p. 389).

While contemporary observers would instinctively equate prebendalism with corruption, such practices in fact offered certain advantages in the context of pre-modern governance. Weber explains that the absence of a stable tax collection system and a sufficiently monetized economy made it too burdensome for rulers to pay administrators regular wages in money. Instead, by allowing officials to finance themselves through prebends, "the lord can transfer the trouble of transforming his income-in-kind into money-income to the officer-farmer" (1968, p. 965). Restated in modern language, he means that instead of operating an in-house bureaucracy, it was more cost-effective for rulers to outsource public administration to individual contractors.

But though prebendal arrangements presented certain advantages, they posed obvious risks too. Given that prebendal officials were allowed to keep a share of income generated through the exercise of public duties, they had incentives to maximize extraction. Consequently, this provoked regular spells of over-taxation and popular

[5] Prebendal practices were also the norm in England and the United States up until the early twentieth century (Brewer, 1988; Parrillo, 2013).

rebellion. Furthermore, extraction in prebendal administrations was rarely constrained by laws. Instead, it rested on the whims of lords and officials, making demands for payment unpredictable to entrepreneurs and subjects. These conditions undermined the expansion of modern states and markets.

Hence, as Weber famously posits, the rise of modern capitalism requires legal-rational bureaucracy as a foundation. Consistent with this claim, cross-national studies report a strong correlation between the "Weberian-ness" of public administrations and the level of economic wealth (Evans & Rauch, 1999). Case studies of the East Asian developmental states maintain that effective state promotion of the economy required the establishment of Weberian agencies as a precondition (Evans, 1995; Johnson, 1982; Kohli, 2004; Wade, 1990). Weberian features are still regarded as an essential element of state capacity (Centeno, Kohli, & Yashar, 2016). These modern interpretations of Weber's theory reiterate the belief there is indeed only one ideal-type of bureaucracy, against which all other bureaucracies are evaluated.

Yet a closer reading of Weber's essays reveals a more nuanced perspective that Weber himself seems keenly aware—although the characteristics of the Weberian model fit the demands of modern industrialized markets particularly well, the Weberian model may not be ideal in all environments. To understand this point, it is useful to re-interpret the Weberian model in abstract neo-institutional terms: transactions, incentives, and risks.

2.2. Interpreting the Weberian Model in Neo-Institutional Terms

Neo-institutional economics (also known as "the new economics of organization") takes contracts as the starting point of organizational analyses (Moe, 1984). Ronald Coase's (1937) classic theory of the firm asks why some transactions take place in the market between firms and others within a firm. In other words, Coase puzzled over the relative value of market transactions over internal authority structures. The answer proposed by Williamson (1975) is *transaction costs*—that is, difficulties that arise in completing transactions. One common transaction costs takes the form of *opportunism*. Individuals may seek to benefit from an exchange at the expense of the other party through deception or concealment. Opportunism is, as Williamson defines, "a lack of candor or honesty in transactions… [or] self-interest seeking with guile" (1975, p. 9).

According to the neo-institutional framework, there is an inherent trade-off between market transactions and authority structures. This is sharply illustrated by a comparison of two corporate models: direct ownership vs. corporate franchising. Franchising approximates a market-based transaction. For example, McDonald's is a franchise that contracts the right to operate its fast-food stores to a network of franchisees, private entrepreneurs who are entitled to keep a share of profits generated by their individually owned stores. Direct ownership is a hierarchical model, in which a company hires salaried managers to operate its stores, as seen in Comet Coffee, a small, locally-owned coffee shop in Ann Arbor. As Comet Coffee's employees do not claim a share of profits earned, they are less likely than McDonald's franchisees to be strongly motivated to earn profits. However, salaried employees in directly owned companies are less likely to "game" the headquarters to maximize their personal gain. It is also easier to directly monitor and control employees than franchisees, who own the stores they manage.

Stated generically, whereas market transactions offer the advantage of high-powered incentives, hierarchical structures offer the benefit of lower risks. Market transactions—as exemplified by franchising—supply *high powered incentives* insofar as efficiency gains flow directly to the transacting parties in the form of retained profits. Authority structures—as in the case of direct ownership—supply *low powered incentives* as employees benefit only indirectly from the organization's financial gains, such as through promotions or pay raises. However, market exchanges pose a greater risk of opportunism, whereas authority relations provide more control and predictability.

In other words, neo-institutional theories make clear that neither the market-based nor hierarchical mode of organization is inherently superior. Whichever model is preferable depends on the goals and constraints of a given organization and its tolerance for risks. Can the neo-institutional argument about corporations extend to the public sector? Moving on, I will demonstrate that the Weberian model is not the only ideal-type of bureaucracy, but rather one of two ideal-types that each presents different pros and cons.[6]

2.3. *Bureau-Franchising: An Alternative Ideal-Type*

To picture the Weberian ideal-type in contrast to the bureau-franchising model, I begin by disaggregating two types of transactions in the public sector: financial and personnel relations, as illustrated in Figure 1. Financial relations concern whether a government funds public service providers with high-powered contracting rights (market) or low-powered fixed budget allocations (hierarchy). Personnel relations concern whether a service provider relates to the government in the role of a private contractor (market) or a public employee appointed within the political apparatus (hierarchy).

[Insert Figure 1]

The two dimensions of financial and personnel contractual relations generate four configurations of public sector organization. (1) The top left quadrant is private contracting, involving purely market-based financial and personnel transactions. Private contractors are entitled to profits earned from the provision of public services. (2) The bottom right quadrant represents public bureaucracy, staffed by public employees whose salaries are paid through budget allocations. (3) The top right corner captures some forms of state enterprises, in which employees are not directly appointed by the government but are paid fixed wages regardless of the firm's performance. (4) Finally, the bottom left corner is what I term *bureau-franchising*, which fuses market-based bureaucratic financing with hierarchical personnel control. In a bureau-franchising model, the service providers are public employees. Yet partly like private contractors, they can profit from the provision of administrative, regulatory, and public services.

[6] Normally, when transaction costs theory is applied to public administration, the issue has been framed as a binary and formal choice that governments face between delivering public services through the private sector (high-powered incentives with high risks) or the public bureaucracy (low-powered incentives with low risks) (Acemoglu, Kremer, & Mian, 2008; Donahue, 1989; Moe, 1984). This debate assumes a clear-cut, separate identity between private and public organizations, a condition common to industrialized democracies but *not* to developing contexts.

Whereas the Weberian model is an ideal-type that features low opportunistic risks but low-powered incentives, the bureau-franchising model offers the advantage of high-powered incentives but the disadvantage of high opportunistic risks, as I summarize in Table 1. The bureau-franchising model has clear historical precedents, as Weber observed. Prebendal bureaucrats were essentially entrepreneurs who delivered administrative services in exchange for state-assigned rights to keep a share of income earned.

Prebendalism extends into the context of reform-era China but with some sharp departures from the past. First, the modern, authoritarian regime under the Chinese Communist Party (CCP) has greater control over public personnel than previous imperial governments did. For example, the Qing government ruled over a vast territory with a remarkably small cohort of magistrates, who informally recruited local clerks and runners to conduct the daily tasks of governance (Reed, 2000). In modern-day China, civil servants and public employees of extra-bureaucracies can be clearly identified through a centralized personnel system, connected level by level (Landry, 2008).[7] Second, as the economy took off during the reform period, the CCP developed higher capacity to monitor the transactions of rank-and-file bureaucracy, including by incorporating technology in daily operations, which was simply not available in the past.[8] Third, as China transitions from central planning to a market economy, there are more creative schemes of prebendal financing than ever imaginable during the dynastic ages.

[Insert Table 1]

The bureau-franchising model, as seen in contemporary China, has the advantage of powerfully motivating local agencies and public services providers to self-finance. This advantage is especially salient in the context of fiscal decentralization since 1978, in which local governments are expected to be responsible for financing nearly all of their own administrative expenses. The fiscal reform of 1994 further heightened sub-provincial budgetary pressures. Although the 1994 reform clarified the terms of tax

[7] For example, the dossiers of all public employees are stored in a separate dossier system, managed by the Personnel Management Bureau at all levels of government (B2007-126).

[8] One example is the creation of a centralized treasury management system, beginning in the 1990s, which uses electronic technology to track public transactions (OMIT, 2009).

sharing between the central and provincial governments, the reform in effect recentralized tax revenue without adjusting local spending responsibilities (World Bank & State Council, 2013). The resulting dramatic shortfall in local budgets from 1994 onward is evident in Figure 2. In addition to revenue shortages, local governments are also pressed by the political pressures of having to feed an ever-enlarging bureaucracy and deliver ever more public services. By 2007, the total number of public employees (excluding employees in state-owned enterprises and the military) has reached almost 49 million, equivalent to the entire population of South Korea (OMIT, 2012). An average county government has to finance about 20,000 public employees. These constraints compelled local governments to encourage their bureaucracies to be as financially "self-independent" as possible. It is the combination of financial pressures and newly acquired institutional capacities in the reform era that propelled China to maintain but at the same time regulate prebendal practices.

[Insert Figure 2]

2.4. *Bureau-Franchising vs. New Public Management*

Some students of public administration in developed countries may contend that bureau-franchising is nothing new. The New Public Management (NPM), which rose to fashion in Western countries like the U.K. and New Zealand in the 1980s, had similarly promoted "corporate" reforms in the public sector, such as performance pay and contracting of public services to private actors. So on the surface, it seems that NPM and its variants already constitute an alternative ideal-type of bureaucracy. In fact, the two administrative models—bureau-franchising vs. NPM—could not be more different.

NPM is a set of reforms tailored for *developed* countries that have already established stably-paid, Weberian bureaucracies a long time ago. NPM was introduced for the purposes of improving efficiency and the quality of public services (Lane, 2000). Performance pay under NPM entailed awarding bonuses to individual public employees based on the subjective evaluation of their performance, such as quality of work and relationship with the public, usually by supervisors (Marsden & Richardson, 1994).

Contracting entailed devolving public services provision to wholly private entities (Walsh, 1995).

By contrast, as we shall see in greater detail later, bureau-franchising was evolved in the context of a *developing* country, where local agencies are not stably and adequately paid and professional staff are frequently lacking. The priority of administration was to make ends meet (or as Chinese bureaucrats put it bluntly, to "eat"), to pay personnel wages and offices' utility bills. Until such basic concerns are resolved, improving the quality of public services is a noble but remote concern. Performance pay in China entailed respective agencies taking a direct cut of income earned and distributing it among staff members; the criteria of performance was objectively based on the amount of money made, not fuzzy, warm criteria like "customer service." And contracting meant devolving services provision not to private parties through a competitive bidding process, but to the subsidiaries of public agencies that maintain a patron-client rather than arms-length relationship with service providers.

The story of bureau-franchising speaks to the unique challenges and quirky coping strategies of public administration in developing countries, whereas NPM are reforms tailored to developed countries. Indeed, as Manning concludes in a review article, "It is certainly commonplace for weary consultants and development agency staff to maintain that there is little in the NPM technical/managerial amalgam that is appropriate for the politicized public sectors in many developing countries (2001, p. 297).

3. Four Concrete Features of Bureau-Franchising

Having outlined the characteristics of the bureau-franchising model in contrast to the standard Weberian model, I now proceed to describe four concrete features of bureau-franchising, as seen in China and listed below. My findings draw on in-depth fieldwork and 284 interviews with street-level bureaucrats, focusing on the actual practices—rather than prescriptive rules—of financing among local public organizations.

1. A bifurcated state structure comprised of a small core of bureaus and a sprawling periphery of extra-bureaucracies
2. Bureaucracies generate nontax revenue to supplement basic budget allocations
3. Bureaucracies are sanctioned by state-legislated “policy awards” to generate revenue
4. Bureaucracies exercise partial ownership rights over generated revenue

3.1. Bureaus and Extra-Bureaucracies

Existing analyses of the Chinese bureaucracy tend to feature either local governments as a homogeneous whole or various offices that appear on official organizational charts. In fact, if we disaggregate the bureaucracy further, we will find a bifurcated party-state structure at all levels of government, comprising a small core of party and state organs, termed “administrative units” (*jiguan danwei*) in Chinese, and a sprawling periphery of extra-bureaucracies or “service units” (*shiye danwei*). About 80 percent of public employment is concentrated in the extra-bureaucracies. Thus, *shiye* units are rightly described as “a big shadow of the Chinese state” (Lam & Perry, 2001, p. 20).

Administrative units (*jiguan danwei*) perform the tasks of planning, administration, and regulation. They include party organs responsible for political affairs (e.g., Organization Department) and governmental organs that formulate economic and social policies (e.g., Finance Bureau, Public Security Bureau, Development Commission, and Education Bureau). In this analysis, I refer to administrative units as “core bureaus.”

Compared to the core bureaus, *shiye danwei* is a poorly defined and frequently misunderstood entity. This Chinese term has been variously translated into “business units” (Barnett & Vogel, 1967), “institutional work units” (Cheng, 2001), “semi-governmental organizations that perform social functions” (Tang & Lo, 2009), “government-funded not-for-profit organizations” (Yang, 2004), and “public service units” (World Bank, 2005). I choose to translate *shiye danwei* as extra-bureaucracies to capture its operational reality and analytic significance—all *shiye danwei* are attached and subordinated to a particular core agency. The term comes from historical studies that referred to local elites and tax farmers in China who performed state services but who were not formally appointed officials as "extra-bureaucracies" (Rankin, 1993). Examples of extra-bureaucracies under various party and state bureaus are listed in Table 2.

[Insert Table 2]

In principle, extra-bureaucracies should not have regulatory powers or profit-making motives (Cheng, 2001). But it is important to separate principle from reality. As Lam and Perry aptly describes, extra-bureaucracies "only provide services to their administrative bosses" (2001, p. 27). These services may be public or private in nature. Extra-bureaucracies may administer, deliver free public services, provide charge-based services, or a mixture of the above. Extra-bureaucracies include conventional public service providers like public schools and public hospitals. But they also include amorphous entities engaged in regulatory enforcement and semi or purely commercial activities.

Extra-bureaucracies in China must be distinguished from purely private providers. The employees of extra-bureaucracies, termed *shiye renwei*, are public employees, who are assigned an administrative rank, whose dossiers belong in the state sector, and who may be transferred into the formal civil service if they hold *chu*-and-above ranks. Extra-bureaucracies must also be distinguished from state-owned enterprises (SOEs) and collective enterprises (Oi, 1999). These enterprises are directly engaged in production and are supposed to generate profits; they do not receive budget allocations from the government (though they may receive financial bailouts if losses are incurred). By contrast, extra-bureaucracies are public organizations that primarily provide services, rather than manufactured goods. Additionally, extra-bureaucracies should in principle receive regular budget allocations from the state and not pursue profits.[9]

[9] Furthermore, extra-bureaucracies are not equivalent to bureau-operated companies, known as *sanchan gongsi* (tertiary companies)" (Lin & Zhang, 1999, p. 205). Whereas bureau-operated small businesses were an epi-phenomenon that faded by the early 2000s (Hubbard, 1995), extra-bureaucracies have always been essential part of China's party-state, even under central planning.

Extra-bureaucracies are an essential component of the bureau-franchising model because they are, in effect, the contracting arm of the core civil service. Under the Qing administration, a small number of officially appointed magistrates governed a vast territory by contracting governing services to a large network of local and unsalaried "clerks and runners," described by Reed as "talons and teeth" who "cannot be dispensed with even for a day (2000, p. 169). Extending history into the reform era, *shiye danwei* are the modern-day "talons and teeth." These organizations perform a range of services on behalf of often-understaffed core bureaus, and they also rely on privileges and protections provided by the core bureaus to generate income (more details to follow next).

Note that unlike private contractors featured in the NPM model of developed countries, extra-bureaucracies in China are unequivocally public organizations. The heads of *shiye danwei* are often appointed or nominated by the supervising core bureaus. Extra-bureaucracies also do not have to go through competitive bidding processes; instead, the delivery of public services is typically assigned by the government to them.

3.2. Basic Budget Allocations vs. Extra Nontax Revenue

Both in principle and in practice, Chinese bureaucracies are not purely salaried. This reality goes against textbook descriptions of public administration (Moe, 1984, p. 763):

> The typical bureau receives a budget from governmental superiors and spends all of it supplying services to a nonpaying clientele. Regardless of the agency's performance or how it changes over time, the results are not reflected in an economic surplus accruing to bureau heads.

For example, in the U.S., the Department of Motor Vehicles (DMV) expects to receive most if not all its income from state budget appropriations. DMVs collect fees, but the revenue that it collects is channeled to the state treasury, not to the departments' own coffers. Hence, DMVs do not have the profit incentives of corporations, as James Wilson states matter-of-factly: “A McDonald’s manager can estimate the marginal product of the last dollar he or she spends on improving service; the Registry manager can generate no tangible return on any expenditure he or she makes” (1989, p. 135).

Whereas the norm in America is that nearly all public bureaucracies are fully state-funded, China’s bureaucracies are formally divided into three fiscal categories: fully-funded, partially-funded, and self-funded. Fully-funded units receive full state funding for basic budgetary needs; partially-funded units receive some financial subsidies from the government; self-funded units receive none and are expected to generate their entire income. Nationwide, as summarized in Table 3, about 5 percent of public employees are entirely self-funded, while the remainder is partially or fully self-funded. Table 1 lists examples of extra-bureaucracies by funding type.

[Insert Table 3]

Budget allocations from the state usually cover only essential budgetary needs, excluding staff benefits and frills. As one official from the Finance Bureau stated metaphorically, “Budget allocations are used to deliver coals during snow, not to add blossoms to silk” (B2008-154). Typically, being “fully state funding” guarantees that only basic operational costs and staff wages are covered. Thus, even fully-funded units like public schools and regulatory agencies often come under financial stress. Furthermore, it is not unusual that nominally state-funded units receive no budget allocations in practice. For example, I encountered a city-level Tourism Bureau that was supposed to be a fully-funded agency, but was in fact entirely self-financed by the remittance of income from its cluster of extra-bureaucracies until 2001 (B2007-108).

For bureaucracies to disburse staff bonuses, allowances, and benefits, or to construct new office buildings, they would have to generate extra income, which takes the form of “nontax revenue” (*feishui shouru*). Whereas taxes are collected by the national and local tax agencies, according to national tax laws, nontax revenue is a residual category of public finance. The Chinese term *feishui* literally means “revenue other than taxes.” Nontax revenue is collected in a decentralized manner by bureaus and extra-bureaucracies of all stripes. Table 4 list six categories of nontax revenue, with fees, fines, and user charges being the most common.

[Insert Table 4]

Let me describe examples of nontax revenue in the construction sector, which is a notoriously "greasy" segment of the bureaucracy. The Construction Bureau is enriched by collecting a wide array of regulatory fees. This Finance Officer described (B2008-140),

> The Construction Bureau collects so many fees! Inspection fees, construction fees, proxy fees, bidding fees, monitoring fees. Whenever a state agency can issue approvals, it is greased. Monitoring fees, have you heard of that? This is collected by an extra-bureaucracy under the Construction Bureau. Bundled services fees, have you heard of that? Fees for providing a bundle of services: fire protection, electricity, and heating. Last but not least, lightning rod fee, have you heard of that?

It appears that even in wealthy localities, all bureaucracies generate varying amounts of nontax revenue. When I asked a Finance Officer whether there were any "purely" state-funded agencies in his county, he responded with revealing hesitation (B2007-114):

> Pure ones? Almost none... Organizations in the judicial system [such as courts] should be pure... but wait... Actually, even they are not completely pure. Well, then are those in the local party committee and government secretariat. Their financial needs should be guaranteed... But then again, those are not entirely pure too.

The important question is: how do bureaucracies generate nontax revenue to finance themselves? Are they bound by any rules? Importantly, whether at the central or local levels, the government has an interest in seeing that individual agencies self-finance without resorting to lawless extortion. Hence, the state assigns what I call *policy awards*—revenue-making privileges—to its bureaucracy, which we examine in the next section.

3.3. Policy Awards that License Self-Financing

A popular saying in China goes: "the state may not be able to give money, but it can grant policies." What does this mean? One officer explained, "Giving policies not money happens when the government wants to get something done but budgetary funds are insufficient" (B2008-152). Put simply, policy awards are privileges assigned by the government to various departments to generate funds in lieu of budget allocations. Importantly, such funds are generated in the name of providing public services; hence, they are distinguished from privately pocketed bribes (Manion, 1996), illegally extracted monies (Lu, 2000), and profits earned by bureau-operated small businesses (Duckett, 1998).

Policy awards can come from three sources: the central governmental authority (typically the State Council), central-level ministries and commissions, and local party-state leaders (see also, Manion, 2004, p. 102). Central-level ministries and provincial governments enact policy awards that will apply at all levels of government. Sub-provincial governments can "employ [policy] decisions by upper levels with flexibility" (B2008-152). For example, the Anhui provincial government allowed public schools in the province to enroll students on a tuition-paying basis, but the condition was that fee-paying students could not make up more than 70 percent of enrollment (B2008-152). In another instance, the Jiangsu provincial government allowed tax bureaus to retain a percentage of tax collections as commission. County governments within the province may adjust the commission rate based on local economic conditions (B2007-111).[10] Policies devised by upper level authorities powerfully shape local bureaucratic behavior. Although some depict local agents as persistently defiant of central policies, local authorities reflected that they are in fact "constantly awaiting instructions from above" (B2007-51).

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[10] The situation in Jiangsu constituted a commission—or tax-farming—system, in which the tax agencies took a cut of taxes collected, which in turn financed staff benefits. Contrast this to the performance pay reform implemented in the U.S. in 1988, under the NPM movement. Performance pay was allocated to individual employees based on subjective evaluations of their quality of work, not on how much taxes were collected (Marsden & Richardson, 1994). Indeed, it would unthinkable for the U.K. tax administration to implement a quasi-tax-farming system!

One form of policy awards sanctions the collection of fees and fines. To understand how these policies work, earlier reports of bureaucratic predation need to be updated in light of new institutional reforms. During the 1980s and 1990s, state agencies throughout China were notorious for the problem of "three arbitrary practices" (Manion, 2004, pp. 101-102; Wedeman, 2000). In township and village governments, the "three arbitrary practices" became a source of peasant burdens and protests (Bernstein & Lü, 2003). Over the last two decades, however, many rationalizing institutional improvements were made within the Chinese administration (Yang, 2004). Yet these reforms have not abolished prebendal practices; instead, they have made the procedures of generating nontax income and public expenditure increasingly routinized and rule-based.

As local officials explained, policy awards sanctioning the collection of fees and fines range from "soft" to "hard" (B2007-127; B2007-128). According to the administrative licensing law, the hardest policies are central and local licensing (*xuke*) provisions. Licensing provisions must have a clear legal justification for collecting fees and fines. Licensing provisions require a one-year probation period before they are deliberated at the central or local people's congresses. These provisions become permanent only after they are passed. The next softer set of provisions is assessment (*shenpi*) provisions. These are provisions that are not yet passed by the legislature but are still legally valid. Finally, the softest policies are "red-stamped documents," named after the bright red department stamp on the letterhead of official state documents. These are rules issued by regulatory agencies without higher-level or legislative endorsement.

One example of a hard policy award backing the collection of fees and fines is the notorious case of the steamed bun offices in Zhengzhou City of Henan province. Zhengzhou City established a Steamed Bun Office at the city level and five in each of the county governments below. What do Steam Bun Offices do? City leaders professed a need to establish specialized offices to manage steam buns production. The city government issued Provision No. 93, titled "Temporary Provisions on Zhengzhou City's Steamed Buns Production and Sales Management." The provision was passed by the city government's 14th people's congress and signed by the mayor. It authorized the Steamed Bun Offices to issue steamed bun production permits and to fine producers from 3,000 to 20,000 yuan for not possessing the permit. This story of Zhengzhou's steamed bun offices illustrates the endorsements from multiple formal institutions that authorize fee collection.[11]

A second variety of policy awards are monopoly privileges in the provision of public or commercialized services. Extra-bureaucracies thrive financially on delivering quasi-monopolistic services, such as utilities supply, greening, tour services, media publications, private security, administration of examinations, and environmental impact assessment. The supply of heat is one example of a completely monopolized service. State provisions mandate that heating services for residential and commercial properties must be centrally supplied. In one county of Tianjin, the Construction Bureau described the Heating Office as its "greasiest" extra-bureaucracy. The Heating Office collects 20 yuan for every square meter of property for which heat is supplied. Its income could add up to "hundreds of thousands" and "even 10 million dollars a year" (B2008-144). A similar logic applies to the Greening Office, subordinated to the Forestry Bureau, which one bureaucrat described as follows: "The Forestry Bureau regulates greening. It can say 'you cannot touch this tree,' but then they can touch it themselves" (B2007-108).

To clarify the source of these monopoly privileges, I extend the concept of policy awards to capture revenue-making ties between core bureaus and extra-bureaucracies. Core bureaus and extra-bureaucracies share what may be termed a patron-client relationship. Extrabureaucracies feed on "administrative protection" provided by their supervising bureaus. Such protection may come in the form of explicit legal provisions or the covert exercise of political influence (Lam & Perry, 2001; Lin & Zhang, 1999). In exchange, extra-bureaucracies often obliged to remit revenue to the core agency or simply pay its bills. Relations are so tightly enmeshed that extra-bureaucracies often refer to their supervising agency in familial terms as "father," "mother," or even "mother-in-law."

[11] This was reported in "Steamed Bun offices, Watermelon Offices, All Are Troublesome Offices," *Xinhua*, August 4, 2006.

Policy awards may be likened to contracts awarded by the government to public bureaucracies to provide services in exchange for the right to generate income from office. Following Weber's historical accounts, policy awards in the Chinese context parallels the "prebends" assigned by feudal rulers to unsalaried officials as in-kind compensation. However, one key difference between Weber's descriptions of prebendal practices and bureaucratic self-financing in contemporary China is the degree of institutionalization and state regulation of these practices. This difference becomes evident when we examine the actual procedures of budget allocation within local governments.

3.4. Partial Ownership of Income Earned

While the Chinese bureaucracy is not unusual in its collection of fees and charges, it is unusual in that agencies and extra-bureaucracies exercise rightful claims over part and even all of the income they generate. In this way, China's public organizations bear some semblance to corporate franchisees in the modern context and tax-farmers in the premodern context. Even more unusual is that the agencies exercise income rights through the budgeting process. Below I sketch a micro-level view of the budgeting process, which leads up to a central observation: in practice—though not in principle—the size of each office's budget is directly linked to the amount of nontax revenue generated.

Determining basic budget allocations. Within each local government, each core bureau and its extra-bureaucracies form a collective unit of negotiation during the budgeting process. The Finance Bureau has to determine budget allocations for each collective unit. It begins by considering the official fiscal category of the bargaining party, i.e., whether it is fully, partially, or self-funded. It also evaluates the number of officially approved positions (*bianzhi*), which the government is obliged to finance. The Establishment Office assigns a certain number *bianzhi* to every unit. Individuals employed beyond the *bianzhi* are considered non-official public employees, who will normally be excluded from the Finance Bureau's assessment of a unit's basic expenditure.

During negotiations, the Finance Bureau will adjust actual budget allocations based on the ability of a given unit to generate extra, nontax revenue. One Finance Officer explained with an analogy: “Budget allocations are supposed to fill a whole cup. But if one cup has a tiny pipe [of financial resources] flowing into it, then we [in making budget allocations] need not fill the whole cup” (B2007-114). If earning extra revenue reduces the sum of a department’s budget allocations, then one may wonder if this informal budgeting norm may reduce incentives to generate income. However, recall that basic budget allocations are generally modest; so if an agency can generate plenty of extra revenue, its net gains will far exceed what the state is able to provide.

Centralized deposit of generated revenue. In order for the Finance Bureau to make budget allocations, it must first command accurate information about the amount of nontax revenue that each department earns. And in order for audit and disciplinary authorities to prevent arbitrary and excessive extraction of monies among local agencies, there needs to be mechanisms in place to track the collection and spending of public revenue. Such mechanisms of fiscal control and management were weak or virtually non-existent during the 1980s and 1990s. Local agencies simply “collected and spent” (*zuoshou zuozhi*), with minimal oversight from the higher levels or financial authorities. This is why during the early decades of reform, practices of bureaucratic self-financing became synonymous with corruption and illegal behavior—an impression that continues to stick.

However, when Zhu Rongji came to office as Premier in 1998, he launched a comprehensive program to modernize the bureaucracy. Among the many reforms implemented, the creation of a centralized treasury management account is one of the most significant institutional changes and perhaps also least understood (OMIT, 2009). Traditionally, state bank accounts were fragmented not only between levels of government but also between departments at each level. Under the traditional system, bureaucracies were allowed to set up individual transitory accounts, known popularly as “small treasuries” (Wedeman, 2000), to deposit collected monies. As these accounts were fragmented, it was nearly impossible for finance authorities to track monetary flows, much less control them.

Through the treasury management reform, which was first piloted at the central level and then gradually extended to the sub-national levels, the reformers took the first step of working with banks to abolish transitory accounts. Henceforth, all public organizations were required to submit revenue collections directly into a consolidated treasury account, which included a separate account for nontax revenue. At both the central and local levels, direct payment systems were established that allowed finance authorities within each level to make payments to vendors on behalf of various departments, thereby eliminating cash transactions that were notoriously difficult to trace. Cashless payment schemes were also introduced. Every city and county was required to establish a one-stop Administrative Services Center, where citizens paid administrative and service fees at on-site banks, which were remitted directly into treasury accounts, instead of paying cash to street-level bureaucrats.

To be clear, the post-1998 administrative reforms cannot completely eradicate the theft or misuse of public funds. After all, even in developed nations, mechanisms of fiscal and budgetary control are imperfect. Nevertheless, the incorporation of technology and reduction of cash payments improved state control over the finances of myriad bureaucracies to a degree that could not have been accomplished in earlier decades. These changes set the stage for the adaptation of budgetary norms within local governments.

Pegging revenue to budget allocations in practice. One major budgetary reform accompanying the creation of a centralized treasury management system is known as "separating revenue and expenditure" (*shouzhi liangtiaoxian*). In principle, this policy aimed to delink budgetary allocations from the amount of revenue earned, and in doing so, remove extractive incentives. One observer concludes optimistically: "With the emphasis on the separation of revenue and expenditure, government agencies or institutions that collect fees and levies no longer take in the funds themselves... the agencies or offices [that] collected the funds generally lost the right to dispose of the funds collected" (Yang, 2004, p. 240). In fact, my interviews reveal a different logic at work.

Despite dramatically improved budgetary control by financial authorities, individual agencies continued to expect a full or partial "refund" of their income earned in the form of budget allocations. The term "refund" is a direct translation of the Chinese word *fanhuan*. To "refund" does not mean that the Finance Bureau physically returns funds to the respective offices. Rather, "refund" refers to an internal and typically unwritten budgeting rule, wherein the Finance Bureau keeps track of each agency's earnings (also termed "pots") and then approves budgetary spending based on the size of the pots. One Finance Officer detailed this procedure with an example (B2008-139):

> Say the Price Bureau collects administrative fees. After the fees are collected, they are deposited in an earmarked treasury account. But the right to spend those funds remains with the Price Bureau. If the bureau wishes to use the funds to make a purchase, they have to submit a request to the Finance Bureau. If the purchase request is reasonable, we will approve it. However, the spending rights will always remain with individual agencies. The role of the Finance Bureau is to help them deposit and monitor these funds.

In other words, although individual departments may not have direct access to their bank accounts, following the onset of centralized budgetary management, each department continues to exercise "spending rights" (*shiyong quan*) over the income it earns. Recalling Weber's description of prebendalism, this is a concrete display of the "ownership of the means of production or administration" by public agencies—albeit modified in the Chinese context by higher state capacity of bureaucratic monitoring and control.

My interviews suggest that with the exception of entirely self-funded units, most agencies can only exercise partial spending rights. A portion of their revenue had to be surrendered to a general fund for budgetary relocation by the Finance Bureau. The so-called "refund" rate varies by location and by units within each location. For example, in one county in Jiangsu, all the units were promised a uniform 70 percent refund (B2007-111; B2007-114; B2007-116; B2007-117); in other words, these organizations could count on spending up to 70 percent of their income. In another county in Tianjin, the rate varied from 50 to 100 percent by department (B2008-139). Generally, unused funds may be rolled over (B2007-114; 115; 116; 117). Income generated by these offices constitutes, in a real sense, "surpluses," and not merely "slack," (savings from budget allocations), as Moe describes in the context of American bureaucracy (1984, p. 748).

The key question, of course, is why the Finance Bureau would continue to peg budget allocations to revenue earned if collected monies are deposited in a centralized account and under their direct control? The answer is a simple incentive problem. As one Finance Officer explained, "The financial burden of our county would be too large otherwise. If we agreed to fund all the departments fully, then they would have no motivation to generate revenue for themselves" (B2007-114). Indeed, a related and intriguing insight offered by another Finance Officer is that the security of refund agreements between the Finance Bureau and other offices was correlated with local financial pressures. He explained that for cultural reasons, Chinese people tend to avoid putting verbal agreements down in writing; however, written documents that guarantees the refund procedure "definitely exists" in poor central and western locales. Why is that? In his words, "If rules are written down, incentives are stronger" (B2010-214). Put differently, financially strapped locales face greater need for their agencies to self-finance, which leads these local governments to be willing to provide formal and stronger property rights.

Greasy vs. Distilled Water Agencies. Returning to my opening anecdote of the county government in Shandong, it should be no surprise that some agencies are openly wealthier than others, even within a single locale. Even though the allocation of budgets for basic expenditure and civil service pay is uniform across departments, some departments enjoy larger budgets and more lavish staff benefits. Colloquially, wealthy organizations like the Construction Bureau and its extra-bureaucracies are known as "greasy offices" (*youshui yamen*), whereas those with pittance budgets are dubbed "distilled water offices" (*qingshui yamen*). Some observers claim that Chinese agencies are not afraid to show off their consumption because the central government deliberately tolerates "embezzlement" in order to deter bribery (Fan, Lin, & Treisman, 2010). Such a claim misunderstands the internal bureaucratic rules and context in China. Agencies like the Construction Bureau do not need to hide their relative opulence because they exercise rightful claims to the abundant income they generate from public office.

4. Conclusion

This article proposes an alternative ideal-type of bureaucracy, termed bureau-franchising. I illustrate four concrete features of this model by drawing on my field investigations in China. Whereas the Weberian model is an ideal-type that features low opportunistic risks but low-powered incentives, the bureau-franchising model offers high-powered incentives but presents high opportunistic risks. Insights from neo-institutional economics suggest that no single organizational form is universally ideal. Weber is right that legal-rational bureaucracy provides the best fit with modern capitalist markets, which demands predictable administration. In developed economies like the U.S., public bureaucracies are generally expected to perform routine tasks in an accountable and rule-abiding manner. However, in developing and transitional economies like China, the realities are starkly different. Public agencies are constantly constrained; they struggle to make ends meet. And in China, state agents are expected to go beyond performing routine responsibilities; they are tasked to be entrepreneurial and to devise unorthodox, daring ways to cope with novel and fast-evolving challenges. The vastly different demands placed on bureaucracy in established economies, as compared to developing economies, may thus call for different administrative structures in each context.

Having said that, I must clarify that by "ideal-type," I certainly do not mean an ideal—desirable—organization. Ideal-types serve an analytic ("this is what it would look like if certain attributes are taken to the extreme") but not prescriptive function ("we should all adopt this model"). As Weber himself stresses, ideal-types "are to be considered merely border cases which are of special and indispensable analytical value, and bracket historical reality which almost always appears in mixed forms" (1968, p. 1002). The bureau-franchising model as seen in China has many problems, which the government, until this day, is still trying to manage. While public employees may be powerfully motivated to be entrepreneurial and financially independent, the risks of extraction and rent-seeking are constantly present. Especially in the provision of public services like education and health care, the Chinese bureaucracy is characteristically profit-oriented, which has exacerbated unequal access to essential services and irked citizens.

To use Yingqi Qian's (2003) term, is the bureau-franchising model a "transitional institution," which one expects to eventually fade away and transition into the Weberian type? This is a critical question, and one that I elaborate upon in a separate book (OMIT 2016). My short answer is that the bureau-franchising model does transition away—but this transition takes place across different parts of China at different times and speed. Twenty years ago in Shanghai, the bureaucracy closely approximated the bureau-franchising model. Cadres of all ranks were powerfully motivated to pursue economic gains, which mitigated financial constraints, rapidly stimulated the economy, but also led to extractive problems. Then, as markets grew, local governments in Shanghai became the forerunners of bureaucratic reforms. Today, Shanghai displays a structure of bureaucracy that is more consistent with Weberian norms. For example, district and county governments in Shanghai can afford to fund bureaucracy adequately and thus dispense with prebendal practices. However, even in Shanghai, it would be a mistake to think that its bureaucracy has become wholly Weberian. Even among developed nations, categorically different varieties of legal-rational bureaucracy exist. Shanghai's bureaucracy may have shed its prebendal past, but it retains certain characteristics—such as the deliberate fusion of party and administration—that is decisively not Weberian.

One might further ask if other developing countries also display variants of bureau-franchising, as I have described in China. Yes, it does. We usually shrug it off as "normalized" corruption. Police corruption in Nigeria is a case in point. In typical prebendal manner, the Nigerian police have been "subjected to a perpetual crisis of underfunding" (Agbiboa, 2015, p. 258). Not surprisingly, rank-and-file officers have resorted to bribery and extortion to self-finance. While such descriptions are common throughout the developing world, the crucial differences in China are several-fold: prebendal activities were carried out at the agency, rather than individual, level; they became progressively sanctioned and regulated, rather than lawless; and rather than pretend that budgetary problems do not exist, the high-powered incentives of self-financing, though risky, were activated to spur revenue-generation among state agencies. By contrast, regulatory agencies in the developed world, even when they adopt "private sector" practices (such as by outsourcing services or paying for performance), do not in fact seek to profit themselves or their organizations through the exercise of power (Majone & Baake, 1996; Pollitt & Bouckaert, 2000). Indeed, according to the norms of developed countries, such actions would incur charges of corruption and be swiftly punished.

The broader purpose of this article is to underscore the unique problems and characteristics of public administration in developing countries. Normally, when observers find deviations from standard best practices in developing countries, such deviations are written off as corruption, and the administrations in these countries would be asked to clean up their acts by adopting Weberian norms. Such policy prescriptions often make things worse because, as Riggs points out, the bureaucracies end up adopting only the formality of best practices while retaining informal coping mechanisms. The recurrent result is what some policy experts term "capability traps" (Pritchett & de Weijer, 2011). In recent years, such problems have again risen to the fore in criticisms of foreign aid and reform programs that assume a single standard of good governance (Fukuyama, 2004; Jomo & Chowdhury, 2012; Pritchett & Woolcock, 2004). Scholars of public policy need to develop alternative conceptual frameworks and language in order to comprehend "what does in fact exist" in the administrations of developing countries. Only then may we craft policies that fit the realities of these societies.

Figure 1: Bureau-Franchising: Mixing Market and Hierarchical Features

		FINANCIAL RELATIONS	
		Market-Based	Hierarchy-Based
PERSONNEL RELATIONS	Market-Based	Private Contracting	Certain public enterprises
	Hierarchy-Based	Bureau-franchising	Public Bureaucracy

Figure 2: Local government revenue and spending before and after 1994

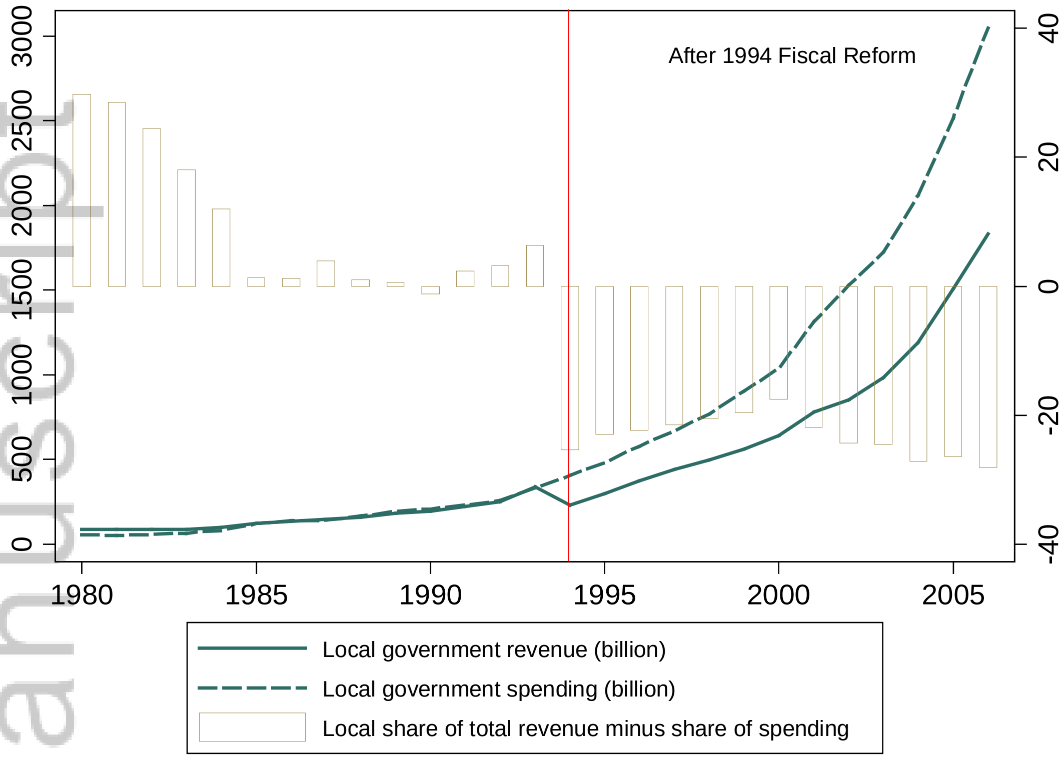

Table 1: The Weberian Model vs. Bureau-Franchising

	Market Structure	**Hierarchical Structure**
Advantage	High-powered incentives	Low-powered incentives
Disadvantage	High opportunistic risks	Low opportunistic risks
Corporate Organization	Outsource services to other firms on the market	Within-firm supply of services
Public Organization	Bureau-franchising model (partially or fully self-funded public employees who own the means of administration)	Weberian model (fully state-funded public employees who do not own the means of administration)
Personnel skills privileged	Entrepreneurial, self-motivated, risk-taking	Rule-abiding, honest, predictable

Table 2: Extra-bureaucracies under selected bureaus and by funding category

Core Bureau	Selected Extra-bureaucracies	Funding Category
Party hierarchy		
Party committee office	Party history research office	State-funded
	Archives office	State-funded
	Service center for inspecting methods of protecting confidential data	Self-funded
Publicity office	Lecturing team	State-funded
	Newsroom	Self-funded
State hierarchy		
Legal affairs office	Office of arbitration committees	Partially state-funded
	Legal services center	Partially state-funded
Economic and trade commission	Energy inspection station	Partially state-funded
	Management office of the electronics sector	State-funded
	Chemicals research institute	Partially state-funded
Transportation bureau	Station for monitoring traffic volume	Self-funded
	Management center for the Great River Expressway	Self-funded
	Management center for the 105 National Expressway	Self-funded
Health bureau	Center for Health Inspection	State-funded
	Blood center	Self-funded
	City hospital	Partially state-funded

Source: *Yearbook of the Establishment Office of Liaocheng City, Shandong Province*

Table 3: Public employees by funding category, 2003

(Percentage over total indicated in parenthesis)

	Partially or fully state-funded	Entirely self-funded	TOTAL
Core bureaus (*jiguan danwei)*	8,926,450	96,733	9,023,183 (19.4%)
Extra-bureaucracies (*shiye danwei*)	35,199,835	2,312,272	37,512,107 (80.6%)
TOTAL	44,126,285 (94.8%)	2,409,005 (5.2%)	46,535,290

Source: *Local Public Financial Statistics*

Table 4: Six categories of nontax revenue collected by local bureaucracies

Item	**Examples**
Earmarked revenue	Pollution levies; education surcharges; revenue from lotteries
Administrative and user charges	Various licensing fees; registration fees
Fines	Fines by public security, commerce, and family planning bureaus
Profits from operating state assets	Investment income from state assets
Profits from charges for use of state assets	Rental income
Other revenue	Donations; township self-raised funds

Source: *State Budgetary Revenue and Expenditure Catalog* (2008), Ministry of Finance

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Beyond Weber: Conceptualizing an Alternative Ideal-Type of Bureaucracy in Developing Contexts

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The study of public administration in developing countries requires that we look beyond the Weberian model as the only ideal-type of bureaucracy. When we assume that there exists only one gold standard of public administration, all other organizational forms that do not fit the Weberian ideal are written off as corruption or failures. Drawing on neo-institutional economics, I introduce an alternative ideal-type of bureaucracy found in China. Termed bureau-franchising, this model combines the hierarchical structure of bureaucracy with the high-powered incentives of franchising. In this system, public agencies can rightfully claim a share of income earned to finance and reward themselves, like entrepreneurial franchisees. Yet distinguished from lawless corruption, this self-financing (or prebendal) behavior is sanctioned and even deliberately incentivized by state rules. Although such a model violates several Weberian tenets of "good" bureaucracy, it harnesses and regulates the high-powered incentives of prebendalism to ameliorate budgetary and capacity constraints common to developing countries like China.

Keywords: Bureaucracy; developing countries; Weberian; corruption; prebendal; incentives; China

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