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Public sector reforms in Hong Kong in the 1990s

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Contents

Part I
Introduction

Research topic

1989 was the year Hong Kong echoed to the public-sector reform or New Public Management Reform (NPM-reforms) trend among the Western developed countries. (Cheung 1996a: 31, Lee 2001: 55) Since then, public sector had been injected the ingredient of the private sector management. Citizens started to be treated as paying customers for quality services rather than receiving “one size fits all” services. (Sankey 2001: 3) “Value for money” had been emphasized in this financial management reform launched by the Finance Branch of the Hong Kong Government.

Unlike the above reform, the public sector reform in 1992 had been more fundamental, vigorous and aroused more discussion in society. It was launched by the last Governor, Chris Patten. In response to the civil service reforms in the Britain, Patten adopted the Citizen’s Charter concept in Hong Kong and named it the “Performance Pledges Programme.” (Lee 2001: 57) It was more fundamental because a task force was set up and called the Efficiency Unit in 1992. Since then, the core principles and values of the later reforms have been founded by this unit.

The last Governor had enlarged the extent of reform from solely financial to human resource management. The reform had indeed been succeeded by the first Chief Executive, Tung Chee-hwa. Continuous improvements in public services were launched with the Target-based Management Process (TMP) in 1997, Enhancement Productivity Programme

(EPP) in 1998 and last but not least, the Principal Officials Accountability System (POAS) in 2002. (Lee 2001: 58-60)

Although we see the public sector reform was conducted in a continuous manner, there must be a reason to launch a specific policy, especially those reforms bringing fundamental changes to the society. So, the aim of this research is to find out the motive(s) of both Colonial Government and HKSAR Governments on launching the public-sector reform. In the light of Cheung's study (1996a, 1996b), legitimacy would be used to argue as the main consideration of launching public sector reform.

Significance

Hong Kong has launched the public-sector reform for more than 20 years. By reforming the old, traditional, Weberian model of bureaucracy, the NPM-reforms have brought great impact on the society as a whole. It is because the civil service is such a bulk organization in which every change would be influential. For example, in the early period before any public sector reform was launched in Hong Kong, there were about 200,000 civil servants. (卜約翰 2010: 41) So, revealing the motive on the reforms launched by the biggest employer in society becomes significant.

Also, although the NPM-reform had been the global trend started in the 1970s Britain, it is still reasonable to ask why the reform was launched in Hong Kong, as a colony of Britain, after British had launched theirs in their homeland for nearly 20 years. Is there any domestic consideration for the Colonial Government to launch it at the time? And is it just the "efficiency" brought by the NPM-reform motivating the Hong Kong Government to launch such a big and fundamental reform?

Whereas, after the sovereignty transfer in 1997, the Tung administration had not forgone the NPM-reform and even enhanced the extent and pace. What is the consideration of the governing elites from a totally different background and working in a totally different constitutional framework?

So, by answering the above questions, the political consideration on whether launching the NPM-reform of the governing elites, before and after 1997, would be presented. So, considering every act of the Decision Makers as the political act would be the message which I want to present. Using the public sector reforms as my case studies would be significant to show "why every act of governing elites is political". It is because superficially, NPM-reform is nothing related to politics, but just efficiency. However, in the case studies followings, the NPM-reform was employed as the solution for the legitimacy crisis.

Methodology

The research will be a qualitative one, based mainly on documents, books and journals, including internet sources, guided by conceptual frameworks.

Throughout the research, the conceptual framework created by John W. Kingdon will be borrowed. The approach is called the Policy Window Theory. (Kingdon 1984: 165)

The Policy Window Theory was created to tackle the question “why are some issues put on the government agenda rather than others?” Kingdon (1984) had summarized the factors affecting the possibility of an issue being put on the agenda into three streams. They are Problem stream, Policy stream and Politics stream.

The Problem stream means that the problems related to the issues likely to be put on agenda will be indicated by some obvious indicators. For example, the inflation rate, GDP etc. It would be more likely to be prioritized when crisis is involved.

The Policy stream means that the issues likely to be considered and discussed by the government are usually accompanied with the policy alternatives. The logic is simple. When a question was provided with some solutions, the question will be likely tackled beforehand. The solutions (policy alternatives) are generated by the community of specialists.

The Politics stream means that when the national mood, the organized political forces or the ideology of administrators and decision makers are eager to solve the specific problems, the issues related to the problems will be likely included in the government agenda rather than others.

Kingdon (1984: 172) argued that when the above three independent streams are “coupled” by the “policy entrepreneurs” who invested their resources, time and effort on pushing the proposals on the agenda, the “policy window” will be opened. And then, the issues concerned by the policy entrepreneurs can be placed on the agenda.

To simplify the model using throughout the research, the politics stream and the role of policy entrepreneurs will be focused, because in my opinion, policy entrepreneurs have the power on coupling the three streams. Then, problems and policy alternatives can be coupled by them. Also, politics stream should dominate the process rather than the two, because issues are often to be put on agenda before any solution is figured out. In this research, the ideology of the decision makers will be emphasized on the process of agenda setting.

By borrowing the framework, the rationale of the governing elites in 1989-1992, 1992-1997 and 1997-2002 will be explored.

Literature review

According to Cheung (1995: 40, 1996a: 32, 1996b: 37, 2001: 44), Hong Kong public-sector reforms were not launched in the Western/Global lineage. In other words, decision makers in Hong Kong had their domestic factors to consider in launching the public sector reforms.

Cheung (1996a: 32) has questioned the explanatory power of the “efficiency discourse” on various NPM-reform countries. He had summarized the Western experience and the political discourses. The conditions to launch such public-sector reforms are with the special historical-political origin. (Cheung 1996a: 32) The public sector reforms were launched in the context of prolonged economic slowdown, government crisis and expenditure cutbacks in the experience of the West.

The specific historical-political origin of the NPM-reform was consistent with the history of the Western World. During the post-war period, the non-governmental organizations subsidized by the governments and the governments themselves were experiencing a rapid expansion to rescue the feeble economy inspired by the Keynesian school of thought. The “New Deal” was probably one of the examples.

However, when the neo-liberalism rose in the 1970s, the attack on the “overload” government was spearheaded by two economic theories, the new institutional economics and the public choice theory. (Cheung 1996b: 38) The “newly” invented approach was called “managerialism”, “new public management”, market-based public administration” and “entrepreneurial government”. (Cheung 1996b: 38) The spread of this thought was accompanied by the Oil Crisis in 1973.

So, with this special historical-political origin, “Big” government which is overloading and vigorous demand from the people will be the common ground for NPM-reform to be launched.

Cheung had made a comparison between the conditions of Hong Kong before the launch and the conditions summed up from the Western history. However, Hong Kong experience does not match with those “external” factors. So, Cheung (1996a: 33) had chosen Hong Kong to show that the common ground shared by the NPM-reform launched in the West was not enough to explain the change of public sector in various countries. So, there is no “global conditions” for launching the NPM-reform.

The near-myth “efficiency” brought by NPM was examined by him. He argued that in every stage of change in public administration, for example from the patronage system to the Weberian traditional bureaucracy, “efficiency” can still be enhanced and achieved by the Weberian system. The “efficiency” was then relatively high. (Cheung 1996a: 34) In order words, the definition of efficiency will be changed over time.

He also examined the “anti-bureaucratic” character which is used to portray NPM when the pros of it are being presented. He called this “anti-bureaucratic” character as the “near-myth”. (Cheung 1996a: 38) He criticized the validity of the character by saying, “…privatization policies and their supporting theories can be seen as paving both the ideological as well as the practical way for the subsequent evolution of NPM.” (Cheung 1996a: 39) In the light of this saying, the NPM-reform can act as the “rhetoric” to rescue the government rather than reforming it with the private management skills and values fundamentally.

After proving that there are some domestic factors affecting the import of NPM and clarifying the two near-myths, Cheung made his argument that “the NPM-reform was just the managerial solution to deal with a political question." (Cheung 1996a: 39) Apart from this, he claimed that the "efficiency" is "defined, articulated and legitimated." (Cheung 1996a: 40)

Cheung (1996b: 40) quoted Liou K. T.'s observation on Taiwan. Liou (1992) said that Taiwan was not experiencing economic downturn nor facing any pressure from the West when she began to privatize the state-owned enterprises in the early 1990s. Cheung (1996b) wanted to show the institutional factors in the country or place may contribute to the import of NPM-reform. In Taiwan case, the reform accompanied with the political democratization and internationalization as the policy goals. In other words, to get the international reputation is the main consideration rather than the relative "efficiency" brought by the private management skills.

Using the same logic in Hong Kong, the institutional factors can be examined. The background of the public sector reforms launched was the transitional period. The sovereignty of Hong Kong was going to hand in to China after 1st July 1997. With the background that the administrative power was going to change after 1997, the Colonial Government would make sure that British will leave gloriously. In other words, the legitimacy-crisis faced by the Colonial Government would be eliminated as much as possible. As Cheung (1996a: 41) mentioned, the authority and autonomy of the government to rule had been adversely affected, and the ability to bargain, cooperate and integrate with the society was weakened also. In this context, the efficiency and managerial values would not become the main consideration. They just worked for the legitimacy. The legitimacy of the governance, then instead was in the first priority.

Anything would be able to restore the legitimacy may become the institutional choice. At this moment, Cheung (1996a: 41) argued that the employment of the reform advocated by the NPM would help depoliticizing the “performance evaluation” of public administration. Then, the public pressure on the government would be smaller. In this regard, the import of the NPM-reform would be acted as the “cosmetic” role of the legitimacy consideration. (Cheung 1996a: 43) With Cheung’s perspective, the mismatch between the conditions of Hong Kong and the Western background before the reforms can be explained.

The perspective of Cheung will be borrowed throughout the research as the assumption. It is assumed that the reform continued by the post-97 government was under the cosmetic of efficiency, again. Other factors will be considered as the motive for Tung, as a policy entrepreneur, to launch the reform.

Part II
Theories and Frameworks

Origins

The term, New Public Management (NPM), was first coined by Christopher Hood in 1991 (Hood 1991) to describe the reform on public sector in the 1980s. The ideas of the reform were introduced by Margaret Thatcher in UK and Ronald Reagan in the USA in 1979/80. (Christensen & Laegreid 2011) The notion was then spread widely to Australia, New Zealand and even East Asia in mid-1980s and 1990s respectively. (Christensen & Laegreid 2011)

Although there is some critique on NPM that the reform lacks of robust philosophical or theoretical foundations, the reform somehow shared some common origins intellectually.

According to Boston (2011: 17), there were at least three analytical traditions affecting the government officials who crafted the NPM reform. They are “Manageralism”, Agency Theory and Transaction Cost Economics (TCE). Also, the widespread ideology, Neo-liberalism contributed to the shift from public administration to public management.

Neo-liberalism

Facing the stagflation, the Organization for Economic Co-operation and Development (OECD) countries were leaving their doctrine of Keynesian Economics. Milton Friedman and Friedrich von Hayek rather became the “big names” in the intellectual field. Their ideas were implemented by the Thatcher’s and Reagan’s administration. With the accompaniment of the international organizations, for instance, the World Bank, Organizaiton of Economic

Cooperation and Development and International Monetary Fund, the neo-liberalism was influential among the Western countries, if not the whole world.

Manageralism

Manageralists advocated the slogans like “Managing for Results”, “Let the Managers Manage” and “Make the Mangaers Manage”. (Boston 2011: 22) In other words, specific and measurable duty would substitute the vague duty. Performance-based pay rather than fixed remuneration would be employed. Managers would have more financial autonomy. Also, fixed-term labour contracts would be used to provide incentive for managers to strive for the benefit of the department.

The theory contributed to the “devolution” and “privatization” within the idea of NPM. The relationship between the company and the manager was precisely defined and no longer tenure.

Public Choice Theory

This theory was based on the assumption that all human behavior is motivated by self-interest. (Buchanan 1978: 17, cited in Boston 2011: 23) Niskanen (1971, cited in Boston 2011: 23), as one of the public choice theorists, focused on the behavior of bureaucracy. He examined the possible goals of bureaucrats, for example, the salaries, power and public reputation. However, he advocated the first among these goals is to maximize the budgets. It is because more budgets is the pre-requisite to further pursue another goal. The influence of Niskanen was significant even Thatcher urged her senior officials to read his work. (Boston 2011: 24)

Agency Theory

Eisenhardt (1989: 58, cited in Boston 2011: 25) described the Agency Theory as the focus on the relationship between the principal, who delegates work to other, and the agent who performs the work. The relationship was substituted with a metaphor of a contract.

The contract was divided by the agency theorists into two, one is formal and legally-binding and another is “relational”. (Williamson 1985: 72, cited in Boston 2011: 25)

Eisenhardt, the agency theorist, contributed to NPM in the way that the “contract” between the principal and agents should be negotiated, specified and monitored. By doing so, the chance of violation of the agents would be minimized. The opportunistic behavior of the agents is called the Agency Problem. (Boston 2011: 26)

Transaction Cost Economics

Transaction Cost Economists (TCE) addresses the organizational boundary of government which can lower the transaction cost when government is providing and exchanging goods and services.

TCE advocated that the specificity of the duty should be the factor affecting the choice of institutional arrangements. In other words, if the job nature is not specific like cleaning, laundry services and rubbish collection, it should be "contracted-out". On the other hand, policing, diplomacy, national defence and tax collection should be provided in-house. (Boston 2011: 29)

So, TCE helps defining the organizational boundary which justified the privatization of some relatively easy jobs.

Summary

The theories above and the neo-liberalism helped the spreading of the ideas of NPM reforms. Although NPM reforms were being criticized lacking of theoretical framework on the one hand, the above theories constituted the framework of the reforms. Public Choice Theory explored the maximizing behavior of bureaucrats which was claimed inefficient. Managerialism revealed the role of managers which can be plugged into government structure to enhance efficiency. Agency Theory helped the rule of the managers by bringing the well-defined, measureable contracts in. TCE helped defining the organizational boundary which beyond that can be privatized. And last but not least, the spread of Neo-liberalism among governments helped the implementation of the ideas.

Divergence? Convergence?

Although the NPM-reforms were wide-spread in the past few decades, it was criticized whether there is a “universalist” agenda to launch the reforms.

Cheung (2001: 30) questioned the significance on claiming that there is a “global” agenda on public sector reform. Taken the OECD countries as examples, the paths of the reforms are different. Halligan (2011: 83-84) scrutinized the paths within the Anglo-Saxon countries and concluded that even though the four countries (the United Kingdom, the Australia, the Canada and the New Zealand) shared common historical tradition and continuing interaction, the national factor and the politics of the countries also contributed to the approaches and pace of the reforms. That’s why Cheung (2001: 37) concluded that the “different combinations of various internal and external factors” could diverse the “configurations of public sector reforms”. In my words, I would say “external factor” as the “global agenda” and “internal factor” as the “domestic agenda”.

Without the “globalist” formula, regional convergence has been discovered. Cheung (2011: 131) revealed that the Asian countries which shared similar historical traditions (the Western Colonialism and military ruling) would have paved their Asian NPM reforms. Without democracy, the countries imported the Western NPM reforms to sustain and strengthen the existing “pro-state” and also “pro-bureaucracy” regime. In other words, administrative reforms advocated on “efficiency” rather than political reform advocated on “democracy” was employed to relief the rising public expectation on better accountability and political power. So, in the cases of the Asian NPM-reform, the notion of NPM-reform was just expediently employed to sustain their non-democratic governance.

The global divergence of NPM reform illustrated that both the exogenous and endogenous factors would be considered by the state before importing the NPM reforms from the West. The claim advocating the “universal formula” would be fallen short to explain the cases in Asian NPM-reform due to the different conditions in Asia. The states did not suffer from the criticism from private sector. For instance, in the 1980s, Japan was undergoing administrative reforms. However, the reforms were launched top-down, but not bottom-up, given the strong politicians-bureaucrats-entrepreneurs alliance. (Cheung 2011: 141) The top-down nature of administrative reforms can give us some insight. Why was the NPM-reform employed by the state to limit her own financial autonomy?

With the insight brought by the Asian NPM-reform cases, the “universal formula” was obviously limited in its explanatory power. Domestic factors have to be included to explain the cases in Asia. Under this framework, the internal factors contributing to the public sector reforms in Hong Kong before and after Sovereignty Transfer would be examined in the followings, with the help of Kingdon’s theory.

Part III
Public Sector Reforms in Hong Kong

Before Sovereignty Transfer in 1997

The Financial Management Reform in 1989

According to the document published by the Finance Branch in 1989, the aim of the reform is “to improve the quality of management within the civil service by promoting an increased awareness of what results are actually being achieved by the government and at what cost”.

It is obvious that at least three significances were latent beneath the aim. The first thing is the performance of the civil servant is fallen short. The second is to enhance the accountability of the civil service to the public. And the third is the cost-benefit analysis.

To attain the aims, there were some emphases by the reform. They were “Cash Limiting”, “Value for Money” and “Top Down Reviews”. (孫同文 1999: 7, Sankey 1995: 18-20) They contributed to the decreased budget, streamlined the system, more precise definition on what the departments are doing and what are they for. Especially the “Top Down Reviews” required the departments to set politcy aims and objectives, and “identified business needs and desired levels of services”. (Sankey 1995: 19-20)

This Financial Management Reform laid the background in providing the broad financial management philosophy which can be used for further development. And these values would be explained in the following reforms.

The Performance Pledge Programme in 1992

Inspired by the Citizen's Charter in Britain (Scott 2005: 300), the last Governor, Chris Patten, had illustrated his idea on public sector reform in his opening address of the 1992/93 Session of the Legislative Council in Oct. 1992. According to Sankey (1995: 26-27), Chris Patten had addressed the problem of the government at that time by saying that "Good government is about much more than simply finding the wherewithal to upgrade our programmes, to improve our social services or enhance our infrastructure." Also, he said that the public services should "go beyond the provision of the bare minimum".

To bring the statements into concise actions, the Efficiency Unit (EU) was set up. The EU has been charged with the mission to achieve the objective by introducing the "Performance Pledges." (Sankey 1995: 27)

By launching the Performance Pledges, the following objectives would be attained: (Scott 2005: 300)

1) the provision for effective monitoring of actual performance against the standards pledged
2) the right of appeal
3) a full and prompt explanation when standards were not achieved
4) disclosure of the criteria which determined the individual's entitlement to benefits and services

In other words, the citizens would now be treated as the customers and the departments would be treated as the service providers. So, right after the Performance Pledges, the departments which had the most contact with the public, for instance, the police and the fire and ambulance emergency services would be required to draft their pledges. According to Scott (2005: 300), 30 out of 50 government departments had drafted their pledges. The production of "Performance Pledges" was later spread to the non-civil service public sector, for example the Mass Transit Railway and the Kowloon-Canton Railway. (Scott 2005; 300)

The Serving the Community in 1995

On the basis of the "Performance Pledge", the EU further developed the public sector reform by launching the "Serving the Community" programme. This programme included four big principles. They are: (孫同文 1999: 9, Efficiency Unit 1995)

1) Being Accountable – the government has an obligation to answer to the community which it exists to serve
2) Living within our means – the government must determine how best to meet the community's needs within the resources available
3) Managing for performance – the government must deliver the best possible services for public money
4) Developing our culture of service – the government must be a responsive organization, committed to quality service.

This programme had summed up the experience of the public sector reform and clarified the changes that the public sector should follow.

After Sovereignty Transfer

The Target-based Performance Process (TMP) in 1997

In the 1997 Policy Address, C. H. Tung (1997) had addressed the issue of the executive-led government. “We want to assure the community that your Government remains committed to listening to community views and responding by setting out clearly how we plan to meet our long term objectives.” This statement showed that the first Chief Executive wanted to build / remain an accountable government to the citizens and wanted things to be done with clear, long-term and well-planned objectives.

C. H. Tung further mentioned that “I have tasked the Secretary for the Treasury to lead a special group to develop and implement a target-based management process to achieve continuous improvement in public services.” (Tung 1997) To bring the statement down to earth, the government had stated the detailed implementation of the ideas of C. H. Tung. The government had proposed the Target-based Management Process (TMP) to “focus Government on managing for results by results”. (Efficiency Unit 2005) Under this programme, aims and objectives of departments had to be well-defined. Outcome-based implementation was the credo of the whole government. Apart from focusing on the outcome, the resources were also being shed some light on during the delivery process. (Efficiency Unit 2005)

The Enhanced Productivity Programme (EPP) in 1998

In the 1998 Policy Address, the rationale of "Managerialism" was clearly reflected. C.H. Tung clearly stated "For us to be able to serve the people of Hong Kong properly, we must ensure that we operate efficiently and cost-effectively, maintaining high standards and yet controlling growth in the bureaucracy." (Tung 1998)

In line with the TMP, the Enhanced Productivity Programme aimed at improving the services of the departments and agencies. It was driven by the Chief Secretary for Administration. With the targets set by the TMP, the departments and agencies had the obligation to review their "baseline expenditure to ensure that it is directed to Government's main priorities." (Tung 1998) Without giving the departments and agencies additional financial resources, the "managers" were required to improve the "productivity gains" for 5% of their expenditure between now and 2002. (Tung 1998) It is obviously more market-oriented rather then just setting pledges and slogans. So, besides setting targets and objectives for the departments, what Tung did was one step further comparing with the colonial Governors.

The Civil Service Reform in 1999

In 1998, Tung indeed had made his prelude of the Civil Service Reform. "We must also ensure that we have the best possible structure for the effective delivery of services." (Tung,

1998) And one year later, the detail of the reform was put in “the modernization of the civil service, productivity enhancement, and entry pay adjustment”. (Tung 1999) The efficiency rhetoric was put forward. What’s worth-mentioning is under this rhetoric, the “general public supports” were claimed to be gained and the process was claimed to be smoothly proceeded. (Tung 1999) The “morale” and the “stability” of civil service were also emphasized by Tung.

Although the morale of civil service was said to be emphasized, the reform would more or less harm it on the other hand. The 1999 reform mainly concentrated in the following policy areas. They are “entry and exit mechanism”, “pay and fringe benefits”, “disciplinary procedures” and “performance management, professional training and personal development”. (Civil Service Bureau 1999: 7) After this reform, there were a lot of changes, for instance, the compulsory retirement scheme, the 3+3 years contract, outsourcing, fringe benefits, performance-based pay system and result-oriented management culture. Simply put, the benefits enjoyed by civil servants were cut in a quite large degree.

Part IV
Conditions of Hong Kong to launch the reform in different periods

According to Cheung (1996a: 32), the NPM reforms in the Western world had been launched in the context of economic slowdown, government crisis and expenditure cutbacks. Facing the oil crisis in 1973, the western countries suffered from stagflation. On the one hand, the economy slowed down, but on the other hand, inflation simultaneously existed. So, under this circumstance, fiscal policies which the Keynesian economists advocated seemed to be useless. It is because the expansionary policy should be used to tackle the recession, but at the same time, contractionary policy has to be used to relief the inflation. So, there must be some other way out. Neo-liberalism then came out from the back stage.

The strategy, NPM reforms, was then regarded as the “reaction” to this “over-expanded” government which was earlier pushed by those “Keynesian economists”.

In the followings, the economy of both colonial and post-colonial Hong Kong, the size of the government and the government reputation would be scrutinized to see whether Hong Kong shared similar conditions for NPM reforms with the western countries or not.

Economy

1970s – 1980s

After the nightmare, the 1967 riot, the colonial government had learnt a lesson. In the following decade, the rapid socio-economic development had impressed the scholars studying Hong Kong. In the “golden ten years” of the Murray MacLehose, manufacturing sector, foreign export, banking, finance, housing, education and even identity of “Hong Kong people” were impressively developed. (陳昕 1998: 114-115)

Banking and Finance, real estate and tourism were the sectors enjoying astonishing development in the 1970s and 80s. In 1980, there were 115 Hong Kong licensed banks with some worldwide investors inside, for instance, the Chase Manhattan Bank from US and the Fuji Bank from Japan. (陳昕 1998:114) Besides, the very first three stock exchange corporations were established. They were the Far-East Exchange Limited, the Kam Ngan Stock Exchange Limited and the Kowloon Stock Exchange Limited. This marked the birth of Hong Kong as a financial center. (陳昕 1998: 114) Also, tourism was contributing a lot to the growth of GDP. In 1972, there were one million tourists. After six years, the number increased one more time. And in 1984, there were four million tourists. (陳昕 1998: 114)

“Growing astonishingly” was the perfect description on the economic development of the 1970s. In the Figure 1 below, the average growth rate of the GDP in from 1972 to 1981 is 10.29%. Census and Statistics Department 1982: 89)

Figure 1. GDP growth (1972-1981)

Year	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
GDP growth (%)	9.7	15.8	1.8	2.2	18.8	10.2	10.3	12.8	10.3	11.0

*at constant market prices (1973)

(from Census and Statistics Department 1982. *Hong Kong Annual Digest of Statistics*, p89)

Also, taking the economic growth of 1980s into account, the average annual growth rate of the GDP was about 6.8%. (Census and Statistics Department 1989: 111, Census and Statistics Department 1999: xiii)

Figure 2.GDP growth (1982-1991)

Year	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
GDP growth (%)	3.0	6.5	9.5	-0.1	11.9	13.8	7.3	2.6[1]	-	-

*at constant market prices (1980)

[1] 1990 market price was used.

(from Census and Statistics Department 1989. Hong Kong Annual Digest of Statistics, p111 and Census and Statistics Department 1999. Hong Kong Annual Digest of Statistics, pxiii)

Although the average growth rate of the 1980s was relatively lower than the 1970s', it is not convincing enough to argue that public sector reform had to be launched under this extent of economic slowdown, which were the experiences of the Western countries before the public sector reform. (Cheung 1996a: 32) To support this argument, the average annual growth rates of the GNP in the western countries will be provided.

Figure 3. GDP growth rates of USA & UK

	1960-70	1970-80
U.S. (% annual growth rates of real GDP)	3.3	2.7
U.K. (% annual growth rates of real GDP)	2.5	1.9

(from Treasury Department 1991. Statistical Abstract of the United States 1991, p842)

From Figure 3 , we can see that the economic growth of both U.S. and U.K slowed down from 1960s to 1980s, which were the two decades preceding the public sector reforms. (Treasury Department 1991: 842) The reason contributing to the slowing economic growth are the developed economies. Comparing with the situation of Hong Kong in the 1970s and 1980s, the two decades preceding the reforms, it is ridiculous to say the developing economy was sharing the similar economic development pace with the U.S. and U.K.

1990s

A similar way can be used to explain the economic development of Hong Kong in 1990s.

Banking and Finance, real estate, external trade, tourism were still the major economic pillars of the decade. In the banking sector, until 1996, there were 182 licensed banks in Hong Kong, including 157 foreign banks. What is worth mentioning is 85 of the first 100 banks were established with their branches in Hong Kong, making Hong Kong as the third banking center in the whole world, following London and New York. (陳昕 1998: 376 - 377) In the

Finance Sector, until 1996, there were 522 listed companies with 2715.8 billion dollars as their market value, and more than 1000 listed securities. With this converging effect of hot money, the finance market at the time was one of the five busiest security markets in the world. (陳昕 1998: 377)

In the foreign trade sector, Hong Kong was ranked as the eighth trading center in the world with total trade valuing 2934 billion HKD. (陳昕 1998: 377) Also, tourism kept contributing to the economic growth. In 1995, there were 10 million people travelling in Hong Kong and in the next year, the record was broken with 11.7 million tourists. It was the very sector attracting most foreign currency. (陳昕 1998: 377)

By reviewing the annual growth rate of GDP from 1989 to 1997, it can be discovered that the average growth rate was 4.86%. (Census and Statistics Department 1999: xiii, Census and Statistics Department 1996: 300) Comparing with 10.29% and 6.8% of 1970s and 1980s respectively, the growth rate of GDP from 1989 to 1997 was a bit slower than the two decades preceding. However, when comparing with the economic growth rate of the decade before reforms in U.S and U.K., 4.86% was still satisfactory.

Figure 4. GDP growth (1989-1997)

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997
GDP growth (%)	2.6	-	5.1	6.3	6.1	5.4	3.9	4.5	5.0

*at constant market price (1990)

(from Census and Statistics Department 1999. Hong Kong Annual Digest of Statistics, pxiii and Census and Statistics Department 1996. Hong Kong Annual Digest of Statistics, p300)

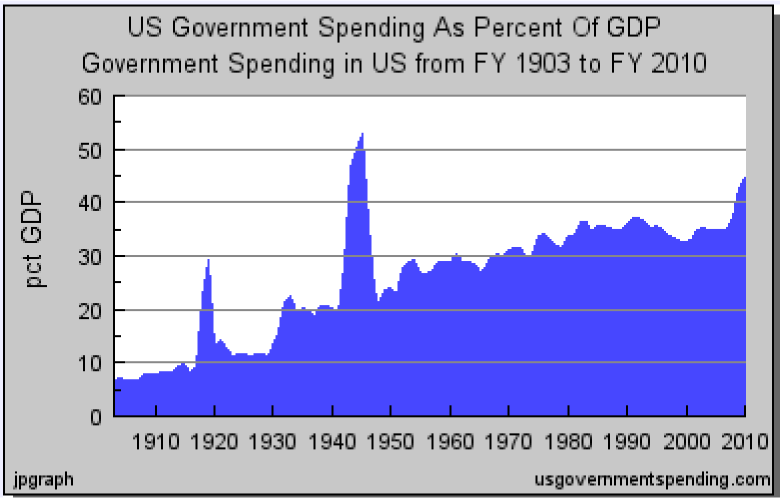
What's more are the soaring of the Hang Seng Index to the "record levels" in the second half of 1996, blooming of property market, HKD remained on the strong side of the linked exchange rate with USD and growth of employment (Perkin 1997: 229), under these optimism, it is hard to argue the economic development was slowing down significantly.

Extent of Government Intervention

On the eve of NPM reform in the US

The Western practice of the NPM had their particular historical-political origin. (Cheung 1996a: 32) In the 1930s, the Keynesian Economics was employed to revitalize the economy. Facing the slowdown of economy, the government was invited to step in, increasing the government spending and cutting the taxes, in order to increase the aggregate expenditures. The "New Deal" boosted by Franklin Delano Roosevelt was on this track. "Relief", "Recovery" and "Reform" were the essences. Government spending had to act as the hub for the relief of the unemployed and poor and recover the economy. The multiplier effect in turn would increase the aggregate demand. (Chantrill 2012)

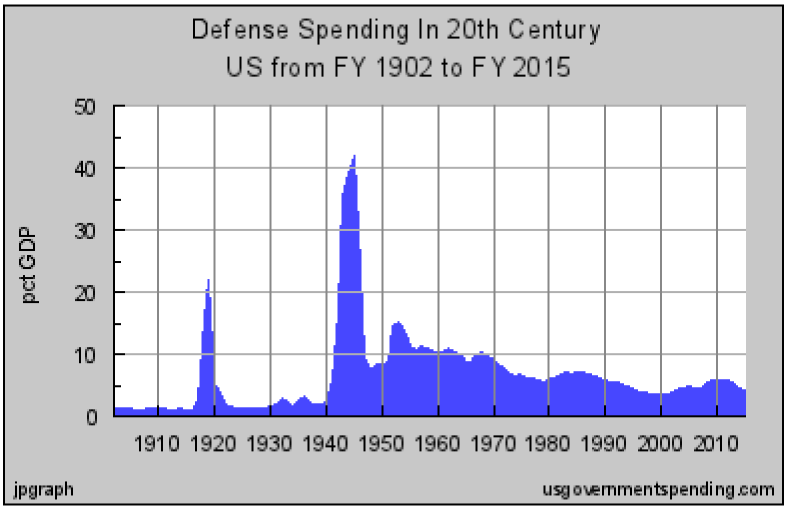
Figure 5. US Government Spending



(from: http://usgovernmentspending.com)

The above graph had clearly shown that the US Government spending in the past century. In 1930, there was an obvious increase in the government spending, about 10% of GDP to about 20% of GDP in the few years. It was even reached the astonishing 50 % of GDP in 1945. During the war years, the government spending was at the peak of 53%. (Chantrill 2012)

Figure 6. US Defense Spending



(from: http://usgovernmentspending.com)

Even on the eve of the NPM reform, the US Government spending was still about 35% of GDP (still about 30% if the defense spending was reduced). Now, the government spending of both the Hong Kong Colonial and SAR Government would be compared to show the necessity of load-shedding.

1980s

Although Hong Kong had experienced the "golden era" of the 1970s in which interventionist proposals were launched, it is still a generally agreed discourse that the Hong Kong Government practised Laissez-faire and/or Positive non-interventionism.

According to Tsang (2006), Sir Philip Haddon-cave, the Financial Secretary of Murray MacLehose, said in 1980:

"I have frequently described the Government's economic policy stance

> as being one of ‘positive non-interventionism’. Some have claimed that this is just a fancy term for laissez-faire. Others have equated it to ‘do-nothing’ approach. This is simply not so: … I do qualify the term ‘non-interventionism’ with the adjective ‘positive’… What it means is this: that the Government, when faced with an interventionist proposal, does not simply respond that such a proposal must, by definition, be incorrect…and…comes to a positive decision as to where the balance of advantages lies”

Tsang (2006) went on saying that Sir Philip’s “positive non-interventionism” was used at the time when the global economic thoughts were dominated by Keynesian economists. The global pressure was the reason why he put “positive” before “non-intervention”. Sir Philip indeed believed the market forces were able to absorb and adjust the challenges faced. (Tsang, 2006)

It is a fact that government had indeed intervened in the economy rather than “doing-nothing”. Tsang (2006) even used “general consensus” to describe the well-known of the basic role of the Hong Kong Government, which is “to provide the frameworks for markets to operate effectively.”

To show how “small” the Hong Kong Government is, the government expenditure from 1979 to 1988 and the GDP in the same period would be compared.

Figure 7.Government Expenditure (1979-1988)

in HK$ million

Year	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
G*	13872	23593	27778	35597	33393	36901	39798	39927	44022	48952
GDP[1]	107047	137081	164973	186328	207562	248728	261195	300818	368177	427313
G /GDP	0.13	017	0.17	0.19	0.16	0.15	0.15	0.13	0.12	0.11

*G = Government Expenditure (Recurrent + Capital)

[1] at current market price of the year

(from Census and Statistics Department 1989. Hong Kong Annual Digest of Statistics, p121 and p111)

In the figure 7, the highest percentage of government expenditure over the GDP was just 19%. The average was just 14.8%. Comparing with the eve of the NPM reform in US, the percentage (where military expense was not counted) was about 30%. There is obviously a big difference between the two. Hong Kong Government was obviously not spending too much and the “imperativeness” of NPM reform in Hong Kong was ridiculous if the situations of Hong Kong and the Western world can be compared simultaneously.

1990's

Figure 8. Government Expenditure (1989-1998)

in HK$ million

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
G*	71365	85556	92191	113332	147438	164155	183158	182680	194360	239356
GDP[1]	523861	582549	668512	779335	887614	1010885	1077145	1191890	1325165	1268034
G /GDP	0.14	0.15	0.14	0.15	0.17	0.16	0.17	0.15	0.15	0.19

*G = Government Expenditure (Recurrent + Capital)

[1] at current market price of the year

(from Census and Statistics Department 1994. Hong Kong Annual Digest of Statistics, p111 and p122 and Census and Statistics Department 1999. Hong Kong Annual Digest of Statistics, pxiii and p188)

In the figure 8, the highest one was still 19%. The average was 15.7%. Comparing to average 14.8% in the 1980s, the percentage of the government expenditure of the GDP was increased. However, comparing with the 30% in the US on the eve of NPM reform, the significant difference between the two still cannot support strongly for launching the reform, in order to downsize, streamline the structure and contract to a smaller government.

Reputation of the Civil Service

Colonial Era

"Small but efficient", "cornerstone for Hong Kong's stability and prosperity" and "clean" were the adjectives widely used to describe the civil service. (孫同文 1999: 9, 文思成 1994: ii, 聶振光 1991: 2, 萬朝領 1990: 2, 王叔文 1998: 0, 錢世年 1996: ii)

The "highly-efficient" Civil Service was originated from the bureaucracy of the British. The Governor, as the head of the government, was legitimized by the Letter Patent. Another important document, the Royal Instructions, had supplemented the Letter Patent with details on the structure of the government. (人事部國際交流與合作司 1992: 10) They laid down the foundation the civil service system.

The civil service was not "efficient" right from the start of the colonial era. It had constantly been transformed and reformed. However, before 1966, there was not much reform on the civil service. There is even a saying that if the first Governor, Sir Henry Pottinger, revived, he would not be able to recognize the system of government. (文思成 1994: 2) But this saying was not suitable from 1967 on.

As the 1967 riot had awakened the colonizers, the colonizers started to improve the living condition and the social justice in Hong Kong, especially, the working class. To boost the policies launched by Sir Murray MacLehose, the civil service had to be reformed on the structure. The reform can be regarded as a response towards the changing social situation which was regarded as a sort of the "utilitarian familism" described by Lau (1978). The society and the government were no longer separated and run on their own. To my opinion, the 1967 riot can be regarded as the turning point on the attitude of society towards government.

In 1972, government had employed the McKinsey & Company Inc. to investigate the possibility of structural reform. (聶振光 1991: 10) In order to enhance the governing efficiency, they proposed to decentralize the power of the Chief Secretary by adding new directors into the six policy bureaus and the two human resource departments. The policy bureaus were economics, environment, civic, housing, security and social services. Equally important was the localization of the civil servants. From 1947 to 1960, there were only seven Chinese who had been appointed as the Administrative Officers (A.O.). In the same period, there were 65 foreign Administrative Officers being appointed. (聶振光 1991: 7) In 1970s, Chinese A.O. had been increased to 40 and there were 71 foreign A.O. at the time. The former had later been increased to 129 in 1980s where the latter was increased to 134. (聶振光 1991: 7) What is more is the size of civil servants, from 77,975 in 1970 to 129,217 in 1980, the growth rate was astonishing to respond to the higher demand from the society.

With the expansion of civil service and the more precise division of works, the civil service started building up their reputation as efficient, professional, clean and open. It is because the government from 1970s on was (relatively) trying to respond to the society (the requirement from the society was still not very high). Also, the meritocratic principle was long be used as the recruitment hurdle. The educated and skillful person would be employed and even promoted. The professional civil service team was built and opened to public. With the establishment of ICAC in 1973, the government's reputation had not suffered from too much accuse for corruption.

Post-Colonial Era

According to Burns (卜約翰 2010: 12), the socio-political environment in the 1980s and early 1990s could still contribute to a highly-efficient government. However, after 1997, the socio-political environment has been changed. This attributed to the worse reputation of the HKSAR Government as well as civil service. It had been discovered that the civil servants were lazy at work, cheating for longer working hours and late for work. (張炳良 1998) The reputation of civil service was then further harmed by the troubles made. For example, the opening of the new Airport was described as a mess. (文匯報 1999)

Under this socio-economic situation, the government suffered from more pressure from the public, Legislative Council and the press. The reputation was harmed easily if mistake or malpractise was found and exposed.

Summary

After investigating the “possible” factors for launching the NPM-reform, it had been shown that the Western experience would not be applicable to Hong Kong. So, what I am arguing is Hong Kong had her own considerations on launching the public sector reforms.

In the West, the NPM-reform was launched under the prolonged economic slowdown, over-loaded government structure and inefficient government. The Hong Kong economy, government intervention and reputation of the government were both found as not the same as the West before the reform. In Hong Kong, economy was growing in a quite satisfactory pace in the 1980s and early 1990s. Government had generally been hand-off under the principle of positive-non interventionism. And the reputation of government, before handover, was overall satisfactory or not discovered as inefficient. What is worth mentioning is the reputation of government after handover, it was harmed for a certain degree. Would this be the factor of the first C.E to launch public sector reform? This question would occupy the last part of this essay.

Under this mismatch between the Western experience and Hong Kong situation, the following analysis will see what is/are the factors for the Governor and the Chief Executives to launch the NPM-reforms.

Part V
Why did Chris Patten (last Governor) launch the public sector reforms?

Before drilling in the factors per se, the theoretical framework is now worth mentioning. To explore the reasons behind launching a policy, the “Policy Window” theory of Kingdon was borrowed. Problem, Policy and Politics Streams would be outlined. “Policy entrepreneur” will “couple” the three independent streams up to bring the problem on the agenda. (Kingdon 1984)

Constitutional Condition

The Problem Stream will now come to the stage. In the era before the sovereignty transfer, constitutional constraint would be the most obvious problem for the Colonial Governor. It means that the constitutional framework where the Colonial Government has to work within. As the era to be focused was the period before sovereignty transfer, which was the decade before and of the last Governor, the process of sovereignty transfer will first be focused to see why the public sector reform was launched.

Traced back history to 1967, right after the riot, there must be some people in Hong Kong being panic about the regime in the People Republic of China. Sir Sze-yuen Chung would be the one among them. In his memoir (2001: 18), Sir Chung has mentioned that it was the industrialists and entrepreneurs in Hong Kong gathered together as a group discussing the future of Hong Kong. At that time, the H.K. Chinese elite, Chau Sik-Nin, was the leader. What is funny is the group at that time, underestimated the imperativeness of the problem.

They even thought that China would firstly solve the problem of Taiwan, and then Hong Kong could follow the model. This pioneering investigation group in Hong Kong then stopped their discussion. (Chung 2001:19)

Historical development proved that the prediction made by them was wrong. As the mortgage was usually with 15 years for a term, some bankers in Hong Kong said that it would be hard to make mortgage if the 1997 Sovereignty problem had not been settled first. (Chung 2001:19) The worry of the bankers was then been put on the shoulder of the Governor, Murray Maclehose.

In March 1979, Murray Maclehose made his trip to Beijing and met Deng Xiao-ping. Indeed, Maclehose brought an idea along him. It was the extension of the lease of land in Kowloon and the New Territories beyond 1997. However, there was rumor that Deng instantly refused it and stated firmly that China would take back Hong Kong in 1997. And at the end of the meeting, the Governor asked Deng, “what should I say when I go back to HK?” The response was what Maclehose said to the investors, “be calm”. (Chung 2001:21)

Although this was not the official start of the negotiations between the two states, it was the initial point where the future of Hong Kong was put on the table of bargaining. However, it was the British side launched it first. And this lost some chips in political sense.

In 1982, British won their war in Falkland and swept away the Argentineans. With the high morale, the Prime Minister, Margaret Thatcher, came to face the problem of Hong Kong.

In September 1982, Mrs. Thatcher arrived Beijing and started negotiation with Deng. After the negotiation, a symbolic but shocking scene was shot. It was the fall of Thatcher from stairs of the People's Hall.

This action had simply revealed the failure of British Government in the bargaining with PRC.

Before Thatcher went to Beijing, she had listened to the opinion of the "representatives" from Hong Kong. They were all the unofficial members of Execo or Legco. The idea they presented was simply the idea of "Sovereignty for continual administration". (Chung 2001: 38) The idea was also the "popular" idea of people in Hong Kong at the time, which was shown by some investigations. In the investigation published by the Reform Club of Hong Kong, 93% of interviewees want to keep the "status quo". Another investigation done by Baptist College showed that within 545 organizations which employed more than 100 thousand people, 85% of them want to keep the status quo and even willing to let British ruling for 30 to 50 years more. However, sovereignty can be transferred. (Chung 2001: 36)

In October 1982, the Sunday Observer Newspaper revealed that there were five principles which China insisted during the negotiations. The first one was "China will take back the sovereignty of Hong Kong". (Chung 2001: 43) Unluckily, this fundamental principle was concealed by Thatcher when she was presenting to the unofficial members of the two councils right after the negotiation in September. (Chung 2001:42)

Chung (2001: 44) claimed that it was a lack of confidence towards the unofficial members. On the other side of the same token, the joining of the unofficial members in the negotiations was hard, if not impossible, due to the hardline decision made by the PRC.

Apart from the low participation rate of the Colonial Government and Hong Kong representatives, the British Government was losing the bargaining chips continuously.

Chung (2001: 56) had simplified the negotiations into three stages. The 1st stage includes the first to forth round of negotiations. The main bargaining chip of the British side was the "Sovereignty for continual administration" with the support of the population in Hong Kong. The 2nd stage was the fifth to seventh round of negotiations. The previous idea was forgone. Only authoritative liaison between Hong Kong and Britain after 1997 was wished. The 3rd stage was from the eighth round on. The authoritative relation was rejected. It would be fact that Colonial Government will have leave after 1997. No room for administrative power or liaison.

At this point of time, the Colonial Government must have to leave. "Legitimacy Crisis" became a headache of the Governor. The crisis was mainly originated from the following sources.

The first is the great difference between the general expectations and the result. As it was pointed out before, the demand for keeping the status quo dominated the result. However, the outcome of the negotiations was the concessions made by the British Government continuously. From the luxurious hope “Sovereignty for the continual administration” to “the cruel political fact that Hong Kong will be taken back”, it would be obvious that the colonial government will be blamed.

The second point is the “powerlessness” of the Colonial Government during the processes of negotiations. Although the idea of the Hong Kong people was brought to the Prime Minister by Governor and the representatives from Execo/Legco, the British Government seemed not to stand firmly for the interest of the HongKongers and the negotiations were covered up with a black box. Even Sir Chung and other Execo/Legco members were deceived by the British Government. How can it be claimed as transparent to the general public? Tsang (1997: 32) has pointed out that during the negotiations, there were only PRC Government and British Government seeking their interests respectively.

The third point is the general background of the Hong Kong people. At the time, the society was mainly composed by the 1st and 2nd generations of HongKongers only. (呂大樂 2007) Most of them had experienced wars, the rule of CCP and the Cultural Revolution. It would be logical to assume that the public was afraid of the rule of CCP.

So, under these circumstances, something must be done to restore legitimacy.

Political Condition

In his essay analyzing the Hong Kong politics in the transitional period, Tsang (1997: 46) has made a pinpoint conclusion on the role of the Colonial Government with the support of an example. It is that when the Governor, Sir Edward Youde, stated that he represented the people of Hong Kong, Beijing publicly and "very firmly slapped him down."

Although the people of Hong Kong did not have the direct voice in the Sino-British negotiations of 1982-1984, the political powerlessness shared by the Colonial Government and the people being ruled in return, acted as the "catalyst to the political awakening of Hong Kong." (Tsang 1997: 46)

As what the Annex I of Sino-British Joint Declaration said, "The legislature of the Hong Kong Special Administrative Region shall be constituted by elections. The executive authorities shall abide by the law and shall be accountable to the legislature." (Sino-British Joint Declaration 1984)

Right after the negotiations, there was "tiny but growing group of political activists" who seized the opportunity of 1985 legislative reform to gain political power. (Tsang 1997:46) The "powerlessness" catalyzed the participation of the political activists. They included some middle-class intelligentsia or professionals. Martin Li was one of the representatives. (Lo 1997: 133) Feeling being "politically alienated" by Britain and China, the development of civil society was propelled. (Lo 1997: 133)

The ways the middle-class professionals and intelligentsia participated in the political movement in Hong Kong were firstly, being unofficial member of Legco by indirect election, secondly, forming political parties in the later half of 1980s and running for the local district elections for District Boards. Thirdly, they run for the first direct election in Hong Kong history in 1991. The vigorous development of the Legislative politics was empowered by the 1989 Tiananmen incident in People's Republic of China (P.R.C.). Lo (1997: 133) even named the peak as the "explosion of civil society" in Hong Kong.

From the first-hand experience of Sir Chung Sze-yuen, the vigorous change of the Legislative Council could be outlined clearly. In his memoir, Chung has clearly mentioned the development of the Legislative Council after 1985 and what has been changed since then. From 1986 to 1990, the legislators elected were only one third of the total. The majority was still combined by the official members and unofficial members who were appointed. No big shock towards the "executive-led" system was made by those minorities. But anyway, the bills passed and the debates were "increased in quality". (Chung 2001: 169)

The "executive-led" system was not hurt badly until 1991. Election became the major method to get into the Legco, rather than being appointed. Also, direct election was launched.

One step further in 1995, all legislators were elected directly or indirectly and no more seat for officially or unofficially appointed legislator. (Chung 2001:169)

Chung (2001: 169) straightly described the “past” Legislative Council was just a “rubber stamp” which could be easily dominated by the executive branch. Highly efficient and harmonious are the words he used to describe the Legco in the old days.

There were some major debates which could show that after election had been employed as a way to constitute Legco, executive branch faced larger resistance while lobbying the members. In the 1980s, the debate on the building of the Daya Bay Nuclear Power Plant or the request for electoral reform placed some sorts of resistance towards the government. In 1994, the rebellion became obvious. A “Motion of Thanks to the Policy Address”, in the first time of history, was rejected by the legislators. (Chung 2001: 170) The “Motion of Thanks to the Policy Address” was and is a tradition originated from Britain. (何志平 2011) Rejecting the motion would be a ground-breaking moment to show that the Legislative Council is no longer receiving the order from the executive branch. Lobbying has become the main way for getting support before the Party Politics comes along.

Ideology of the Decision Makers

I would argue that the powerless image shared by the Colonial Government was the condition for the Colonial Government to think of “alternative reforms”. The only mission for the colonial government in the transition period would be “leaving Hong Kong gloriously”. (Tsang 1997: 32) Political reform or democratization would be the possible option. However, in the framework suggested by Tsang (1997: 32), the main players of the “game of Hong Kong” were still Britain and China. The democratization progress was largely constrained. The logic is if the progress was too progressive, P.R.C. would be displeased. The honor of the British Government would then be trimmed.

The constraint of the Colonial Government can be revealed in the memoir of Margaret Thatcher (The Downing Street Years), which was quoted by Chung (2001: 134). Thatcher wrote in 1990 in the following way: “There were in any case, strong moral arguments for doing so. (probably, she was talking the democratization) But all my instincts told me that this was the wrong time. The Chinese leadership was feeling acutely apprehensive. Such a step at that moment could have provoked a strong defensive reaction that might have undermined the Hong Kong Agreement. We needed to wait for calmer times before considering moves towards democratization within the scope of the agreement”. (Thatcher 1993: 495)

At the time of 1990, right after the 1989 Tiananmen Incident, the Governor David Wilson was highly constrained by the exogenous environment. Chung (2001: 134) even described David Wilson as “tender”. Although in the era of Governor Wilson, the rights of abode of Britain were granted to 200,000 to 300,000 people of Hong Kong. (Chung: 2001: 133) There was still a big difference to the expectation of Hong Kong people, shown by the request of 3 million rights of abode handed in to Britain by the Legislators. (Chung 2001: 132) So, I would argue that in the era of David Wilson, the reforms, which were largely constrained by various factors, were launched to rescue the "legitimacy" a bit. The most influential one would the "Rose Garden Project".

In the era of Wilson, the NPM-reform was just the 1989 Financial Management Reform, which was relatively minor and keeping the civil service intact. The importance of that, in my opinion, would be acting as the foundation for further NPM-reforms in the line of financial management philosophy, which could further rescue the "legitimacy".

As what I have said, the Rose Garden was the most influential policy done by Wilson in the era. There was rumor that it was the policy pulled Wilson down from the post of Governor. (Chung 2001: 142) During the bargaining about the cost of building the new airport shared by China and Britain, the Prime Minister of the time, John Major, went to Beijing and signed an agreement with Premier Li. This act would bring some lost of political credit in the eyes of the Western world. Due to the embarrassment brought to John, Wilson was replaced by a politician from the Conservatives. (Chung 2001: 142)

Right after the arrival of Chris Patten in Hong Kong, in his first Policy Address, he mentioned the "radical" political reform package and a series of reforms. Firstly, the restructuring of the Execo, it means that the unofficial members of the Execo no longer included the Legislators, but including the elites from professional or financial sectors. This act enhanced the check and balance between the two branches. He continued to strengthen the Legislative branch in his policy address.

I would now focus on the political reforms launched by him, which seriously stimulated the nerve of the P.R.C. Firstly, he advocated the abolishment of the appointed seats in the District Boards and Urban Council. Secondly, he launched the reform in Functional Constituency by adding "Nine New Groups", which could enlarge the eligible voters to nearly all labors.

Chung (2001: 152-153) had criticized the above reform with the example of the appointed seats in the Upper Parliament in Britain. He thinks that Chris Patten has a "special mission" to make this reform, which I trust to be "accelerating the pace of democratization which was unacceptable by the P.R.C.". Chung thinks that if Chris Patten is wholeheartedly advocating the abolishment of the appointed seats, why he didn't advocate it in Britain. Especially, he was the chairman of the Conservatives which objected the action at the time.

Regardless the objective of Chris Patten, what he did was shocking the political atmosphere of Hong Kong. His "radical reforms" were no longer limited, in his NPM-reform, we can see some difference comparing to the previous one. I would argue that the NPM-reforms launched by him were more "legitimacy-oriented". From the name of the reforms, "Performance Pledge" and "Serving the Community", a sense of "pleasing the citizens as customers" was observed. So, the image of the "highly performed" civil service was left by the last Governor.

Summary

No matter the result of the political reforms launched by Chris Patten (the abolishment of "through train" by P.R.C.), Chris Patten's launch of NPM-reforms can be regarded as the "medicine" tackling the problem of the "powerlessness", in order words, the response to the legitimacy crisis.

My theoretical framework is with the problem framed by the policy entrepreneur who is Chris Patten; the solution would be raised in the Policy Stream. I would assume the problem is "the powerlessness of the Colonial Government" and the solution is the NPM-reforms. The constraints from the Political Stream were the "strengthening Legislative Council" and from the Constitutional Constraint, "the Sino-British Joint Declaration".

I would argue the NPM-reforms would be the limited option left for the Governor to re-gain legitimacy in the sense that democratization would not be their autonomous choice, though the legitimacy gained would be larger than the NPM-reforms.

Someone may argue that Chris Patten is an exceptional case, who is not constrained much by the constitutional framework because of his radical reforms launched. I would argue that his works were indeed the perfect example to show the "continuous powerlessness" of the

Colonial Government because even after his policy address was publicized. China and Britain still had to discuss in 1993 whether the political reforms were made within the framework set by the two. So, his radical political reform seems not to be a good way out for “legitimacy crisis”, but the NPM-reforms.

Part VI
Why did Tung Chee-hwa (first Chief Executive) launch the public sector reforms?

On 4th April 1990, the Basic Law was published and became in effect on 1st July 1997. In the Article 2, HKSAR is authorized by the National People's Congress, "to exercise a high degree of autonomy and enjoy executive, legislative and independent judicial power, including that of final adjudication, in accordance with the provisions of this Law." (Basic Law 2008) In the Article 3, the Legislative branch and the Executive branch "shall be composed of permanent residents of Hong Kong…" (Basic Law 2008)

The two articles above reflected that HKSAR Government would represent "Hong Kong people ruling Hong Kong and the high autonomy".

Tung Chee-hwa, as the first Chief Executive, supposedly enjoyed the legitimacy gained from the demand of Hong Kong people, which is "Hong Kong people ruling Hong Kong". However, the fact is C.H. Tung did not have his legitimacy. Lau (2002: vii) even concluded the first five years of Tung's era, in which people of Hong Kong living in a "crisis of confidence". It was brought by the "uncertain economic future, ineffective governance…"

So, I would now argue that the NPM-reforms launched by Tung as the "medicine" for the "legitimacy problem". By presenting the constitutional constraint, political constraint, ideology of himself and the relationship between him and Anson Chan. Evidence would be shown to support why NPM-reforms were chosen as the way to rescue the legitimacy.

Constitutional Condition

In pre-handover era, Colonial Government was facing the limited tenure and had to leave on 30th June 1997. This time frame was not the problem to the HKSAR Government because the sovereignty was handed to the P.R.C. and Hong Kong people could then rule Hong Kong legitimately with the legal authority originated from the Basic Law.

However, does it mean the first Chief Executive is not facing any constitutional constraint? The answer is no. So, now, the constitutional constraint faced by Tung would be presented.

To explore the question “to what extent, HKSAR Government can enjoy the autonomy”, the articles in the Basic Law can be analysed. In the Chapter II of Basic Law, the relationship between the Central Authorities and the HKSAR is mentioned. In Article 18, it has been stated that “Laws listed in Annex III to this Law shall be confined to those relating to defense and foreign affairs as well as other matters outside the limits of the autonomy of the Region as specified by this Law.” (Basic Law 2008)

The question worth asking is “what is ““other matters outside the limits of the autonomy of the Region as specified by this Law””?”

Before answering the question, the Article 158 can also be reviewed. In the article concerning the interpretation of the Basic Law, the courts of the Hong Kong Special Administrative Region is authorized to “interpret on their own” and if the courts need to “interpret the provisions of this Law concerning affairs which are the responsibility of the

Central People's Government, or concerning the relationship between the Central Authorities and the Region, and if such interpretation will affect the judgments on the cases", the courts can seek an interpretation from the Standing Committee of the National People's Congress (NPCSC). (Basic Law 2008)

With regard to the Article 158, one more step was made. It clearly stated that when the courts facing any case, concerning the relationship between the two regions, can seek re-interpretation from the NPCSC.

Still, vagueness was found in the articles of the Basic Law. The vagueness is mainly found on "defense", "foreign affairs", "relationship between the two regions" and "the other matters outside the limits of the autonomy…"

The vagueness of the boundary is claimed as the problem of "residual power" which is the concept in the Federal System. (蘋果日報 1999) However, when the discussion was hot in 1999, the representatives from Mainland rejected the notion from the Legal sector. In Wen Wei-bao (1999a), it has been stated that 'the courts in Hong Kong are "authorized", but not "the courts sharing power with the Central Government".' So, residual power is not applicable to the courts of Hong Kong, in the premise that Hong Kong is a inseparable part of P.R.C. However, the dispute has not ended. As Hong Kong is the Special Administrative Region, special treatment would be granted.

The dispute was originated from a judgment made by the Court of Final Appeal in 1999, in which government predicted that 1.67 million people would come to Hong Kong in the following ten years after judgment. (香港經濟日報 2001) The HKSAR Government then seek the re-interpretation from the NPCSC. This was the first time NPCSC intervened in the judgment made by the Court of Final Appeal.

I won't investigate more deeply into the case and the residual power in the legal way due to the limit of this thesis. However, the point I have to raise here is HKSAR Government, represented by the Chief Executive, has the limitation (though it is vague and arbitrary) constitutionally. No matter it was the government proactively surrender the autonomy to the NPCSC (like in the 1999 right of abode, it was the government, but not the Court of Final Appeal, initiated the reinterpretation.) or vice versa, the constitutional constraint from the Basic Law is not smaller than the constraint faced the Colonial Government.

The constitutional constraint was even, "radically" claimed as the question of "second-tier governing team". In 2008, the head of the research department in the China Liaison Office, Cao Er-bao (曹二寶), suggested the above idea. He claimed that before handover, there was only one governing team. But after 1997, there are two, one is the HKSAR Government and another is the Central Government and the cadres in Mainland, who mainly focused on Hong Kong. (李柱銘 2009) From the above investigation, I could conclude that HKSAR Government, especially the Chief Executive, would more or less be constrained by the governing power from the Central. No matter it is written in the Basic Law or by the "United

Front" or any unofficial way, I would see these constraints set on the power of the Chief Executive as "constitutional constraint" because of the different style of work of Hong Kong and China. And I believe these constraints would not be smaller than the constitutional constraints faced by the Governors. These constraints, in the eye of people of Hong Kong, would be the source of the "legitimacy crisis" because they will question whether the Chief Executive is working in the sake of the people or not.

So, constitutional constraints, after handover, still restricted the power of the Chief Executive and harmed his legitimacy. These constraints would be regarded by me as the Problem Stream in the theoretical framework, which later would be solved with certain kinds of method. I would suggest that the method is the NPM-reforms.

Political Condition

"Tumultuous period" was used by Lau (2002: vii) to describe the era of Tung. It is true that Tung's administration had faced serious challenges, from the start in 1997.

In the chronology recorded in Lau's book (2002: xii-xxxiv), the series of challenges were shown clearly. After Tung became the first CE, the Asian financial crisis started in the same month. "Speculative attacks" were launched against the HKD and the stock market within. On 23rd, the Hang Seng Index dropped 10.4%. (Lau 2002: xiv)

In December, deadly H5N1 (avian flu/bird flu) out broke. 1.3 million chickens in Hong

Kong were slaughtered to get rid of the virus. However, the progress was much slower than the anticipation of the government. The job was not yet finished until mid-January 1998. (Lau 2002: xiv) Then, the lack of cooperation and efficiency aroused public concern and criticism for sure.

In July 1998, the new Hong Kong International Airport was opened officially at Chek Lap Kok. Unfortunately, technical problems were found right after the opening. For example, flight information failed to be updated by the liquid crystal display. Flights were delayed. Passengers complained of losing luggage. Air-cargo computer system kept crashing. Everything was in a mess.

What's more was the fall of Hong Kong into recession amid the Asian financial crisis, HKD, at the time, suffered from great pressure of devaluation. (Lau 2002: xvii)

With the kind of start, how can the Tung's administration immune from political constraint? Now, we will turn to the political constraints faced by Tung.

Cheng (2001: 28) claimed that since handover, the performance of the civil service in Hong Kong had been fallen short, which attracted criticism from community. They were "committing one blunder after another" from the bird flu epidemic to the opening of the new airport.

The criticism was vigorous. Especially after the appointed members in Legco were abolished, Li (2001: 85) claimed that it would be "very difficult to command a majority support from the Legco". The problem framed by Li was the "lack of a stable pro-government coalition in the Legco". This is why government has to lobby and to be afraid of being rejected when the controversial initiatives were handed in there. The hardship faced by the executive branch would be more when the "number of popularly elected Legco members grows". (Li 2001: 94)

Figure 9. Legislative Council Composition

	Direct (G.C.)	Electoral Com.	Indirect (F.C.)
1998	20	10	30
2000	24	6	30
2004	30	-	30

(from: http://www.legco.gov.hk/general/chinese/intro/hist_lc.htm)

The above graph shows that the trend mentioned by Li has been undergoing since handover. So, it is plausible to argue that Tung's administration was facing more challenges from Legco. Especially when more direct elected seats were set, the competition would be more vigorous in election. Even though in the daily works of the legislators, they will try to attack government more vigorously to get the chance of exposure in media, then credit will be gained politically. Chung (2001: 223-224) even used "utopia" to describe the political system of colonial era to compare with the one after handover, in the eyes of the head of the executive branch.

Some advocates like Chung Sze-yuen (2001: 224) and Li (2001: 95) suggested the party politics as a way out for the dilemma faced by the Chief Executive in the Legco. It was advocated by Li in “ministerial system” which is not just the political appointment of bureau secretaries, but also the “fusion of the legislative and the executive branch”. However, this way to ease the political constraint was once again restricted by the larger framework, the “constitutional constraint”. It was because it was “legislative-led” system rather than “executive-led” system in the eyes of the P.R.C. Government. (Li 2001: 95) So, this “radical” advocate was ignored.

Tung even claimed that “it is a fundamental change to the political system in Hong Kong” and “Hong Kong has not yet reached the stage for such a change”. (Li 2001: 95) Ironically, Tung launched the similar system in 2002, which is the Principal Official Accountability System (POAS). However, the system just advocated the importance of the appointment of the outside elites but ignored the importance of the closer relationship between the legislature-executive branches.

The above example shows that the political constraint and the constitutional constraint are intermingled. For a “fundamental” change in political system, it is not possible to keep the constitution intact. Especially, “executive-led” system was implied by the Basic Law in various articles. The Article 74 would be one of them.

Although I don’t know whether the Chief Executive wants to launch a political reform or not personally, I would like to point out here is even though he wants to do so, he will face a restrictive constitutional framework, the Basic Law. So, no matter what, not much big change can be done by the Chief Executive to gain legitimacy.

Ideology of the Decision Makers

We can still reveal C.H. Tung's ideology by examining some of his policies made in his era.

Cheung (2002: 48) had commented that Tung was being "accountable" and "obedient" to Beijing. 'Operating under a conspiracy mindset and in order to respond to Beijing's longstanding suspicions that Patten had "corrupted" Hong Kong's system of government, the new SAR Government under Tung Chee-hwa tried hard to roll back Patten's political reforms.' (Chung 2002: 48) It clearly shows that Tung was "responding" and echoing to Beijing's idea. In what Tung had done, insight may be brought out more clearly.

Firstly, municipal councils were abolished in his hands. In the government proposal to the Provisional Legislative Council, the "district organizations" were needed to be "reorganized". (Cheung 2002: 49) Also, the appointment to the district councils was re-employed, which was abolished by Chris Patten before 1997. (Cheung 2002: 49)

Secondly, the traditional voting method "first-past-the-post" was replaced by the "proportional representation". (Cheung 2002: 49) In the name of getting more people represented in Legco, the pro-democracy parities, which enjoyed higher popularity in the previous system, were harmed.

Thirdly, Tung Chee-hwa, in contrast to Chris Patten, retrogress the administrative culture to “Confucian” and “more colonial”. Cheung (2002: 50) commented that as the reverse to the “old colonial culture of the administrative arrogance”. In the same vein, the criticism from the editor of Ming-pao in 2001 named Tung’s administrative culture as “neo-authoritarianism” (Ming Bao 2001)

The above actions can be summarized, in my opinion, as “sweeping all the obstacles”. In the policy address of Tung in 1997 and 1998, we can see he would like to advocate in the policy areas of “housing”, “education” and “welfare of elderly”. For example, he launched the controversial reform, “teaching in mother-tongue”, in 1997. Although amendment was made on the number of the schools affected, the policy was successfully passed.

Assuming that P.R.C. Government has not intervened in the above “regressive” political reform, the intention of Tung would probably be “to smoothen the procedure of the policies advocated”. I would say his ideology is “more livelihood, less politics”.

Power Struggles between C.H. Tung and Anson Chan

Anson Chan was the first Chief Secretary of HKSAR. She joined the Colonial Government in 1962 to be Administrative Officer. In a book revealing the secret files of Hong Kong (羅亞君 1998: 212-214), a fascinating case was shown to convince the reader that Anson Chan was trusted by the Colonial Government. When Anson Chan was in the District Office, she had to handle a case in the New Territories. The writer said that it was usual to have corruption in this kind of case. Also, the Political Department (政治部) would get involved to investigate whether the officials involved are "loyal" to the Colonial Government or not. In the case of Anson Chan, she was passed. This means that in the eyes of Colonial Government, Anson Chan could be trusted. (羅亞君 1998: 214)

The above case cannot show that whether Anson Chan will be loyal to the British Government in every circumstance. However, it can be shown that the identity of Anson Chan won't get confidence from the eyes of Beijing. So, whether good relationship between Anson Chan, as the "pre-servants of Colonial Government", and Tung Chee-hwa, the "mandate from Beijing", can be maintained should be subject to question.

Summary

Tung, as the first Chief Executive, had his own "great" plan to rule Hong Kong, which was shown in his policy addresses. However, his plan, especially 85,000 units housing policy, cannot work well in the bad economic environment he was and in the serious challenges faced by him. He, certainly, lost his popularity in the economic downturn and a series of error made by his administration.

So, what can he do? In the above chapter, the constitutional condition was explored to show "how much, if he wants, can be done to reform the political system to gain popularity and legitimacy?" The answer is "not much". Although Hong Kong has and is enjoying "high autonomy", the boundary between the two administrations is still in question. In my opinion, the problem of "residual power" harmed the HKSAR administration greatly, in the sense that the SAR government seems like a puppy when conflict occurred between the two. What I mean here is even though Hong Kong do not have the power and need to be independent, the "speciality" of the SAR would be a treasure to be protected by the SAR government. It seems that the first Chief Executive had not tried hard or capable to do so. That's why constitutional constraint still exist even it is "Hong Kong people ruling Hong Kong".

Also, in the more developed Legco, the first Chief Executive would certainly face a lot more criticism than the governors in the colonial era. What's more is the relationship between the Chief Executive and his men is not good. I would say the relationship between him and Anson Chan would be the symptoms of this problem. There was even rumor that the POAS system was made to restrict the power of the post, the Chief Secretary. Anyway, replacing the senior civil service with an outsider would upset the civil service as a whole in the lower level. (Cheng 2001: 30-31) So, I would say that the Chief Executive also felt the "powerlessness", this time not from the constitution only, but also from the civil service.

NPM-reforms, as a tool to improve the image of the government as a whole, would be employed by Tung to re-gain his legitimacy. Especially, when he was restricted constitutionally, politically and by the "powerlessness", he had to think of method to gain popular support for his reforms on livelihood issues. So, I would argue, once again, NPM-reforms were employed by Tung as his "medicine" for the "low-legitimacy" disease.

Conclusion

The content of NPM-reforms is not a focus of this thesis. What I have focused is "how NPM-reforms were acted as a tool to regain the legitimacy lost?" In other words, "how NPM-reforms were acted as the political tool" is my question to answer.

Started with the discussion on what NPM-reform is, the origin and the global divergence were discussed. Originated in the West, the NPM-reform has its historical-political root. The notion was the combination of different ideas like neo-liberalism, managerialism, public choice theory and agency theory. Although the concept was originated in the West, the concept was not exclusively monopolized by the countries. It was transferred to the East.

However, the experience of the West cannot explain much on the question "why did the East employ such a concept?" So, with the discussion on the global divergence and regional convergence, the similar pattern of the launch of the NPM-reform was found. The administrative reforms seem to be employed to sustain the non-democratic regime in the region.

With light briefing on what the NPM-reform means in Hong Kong content, the conditions before the reforms were investigated. The aim of the part 4 was to differentiate the conditions in Hong Kong from the conditions in the West. In other words, the aim is to falsify the "universal formula" with the support of the case in Hong Kong. (The universal formula was falsified because the conditions the theory suggested were not matched with the case in Hong Kong) So, I would propose that "domestic factors" would be taken into account in the top-down NPM-reform.

So, what would be the "domestic factors"?

Borrowing Kingdon's theory, the Problem Stream, the Policy Stream and the Politics Stream can be investigated in order to know what the domestic conditions are.

The Policy Entrepreneurs, or Policy Actors, in the case of Hong Kong before 1997, would be the governors. From 1989 to 1992, I would say the Governor Wilson would be the one who "coupled" the problem with the policy alternative. However, the administrative reform launched in his era was limited. So, the significance would be lacked. However, from 1992 to 1997, when Chris Patten was in the seat of Governor, the significance would be obvious.

The problem in Problem Stream, framed by the Policy Entrepreneur Chris Patten, would be the "powerlessness of Colonial Government" constraint by the Constitutional Condition. The Policy Alternative in the Policy Stream would be the NPM-reform acted as the only way out.

The Politics Stream would be the ideology of the Decision Maker and the Political Condition at the time. The ideology would be the mission given to Chris, “to let British leave gloriously”. The Political Condition would be the “higher demand from the public asking for protection of hongkongers’ interest”.

As what the theory suggested, if problem was coupled with the policy alternative and political condition was suitable, the “Policy Window” would be opened. In this sense, the open of the Policy Window means the NPM-reform being put on agenda.

The case after 1997 resembles the explanation above. C.H. Tung was the Policy Entrepreneur, who coupled problem with policy alternative. In the Constitutional Condition, Basic Law had paved the way of political development of HKSAR in the era of Tung, not much big change on political system can be done by the first C.E. I can still call this “powerlessness”. At the same time, gigantic political pressure from the Legco was faced by Tung, with the series of policy failures in his era. So, “Problem” emerged. The Constitutional Condition was contributing to the problem in Problem Stream. It was powerlessness coupled by Tung with the NPM-reform, once again acted as policy alternative.

Also, Tung would be obedient to the idea of P.R.C. Government. Any vigorous political reform was not possible to be launched by the first C.E. who was asked to abolish the political reforms done by Chris Patten before 1997. At the same time, changes on “livelihood” were emphasized by Tung. Any change which can smoothen the implementation of the policy would be favorable. The “solution” employed by Tung was the NPM-reform.

Once again, Kingdon’s theory helps us to clarify the elements for a policy being put on agenda. In both cases of Chris Patten and C.H. Tung, the theoretical framework can successfully outline the “coupling effect” of the “policy entrepreneur” and the importance of “when” and “why” a certain policy was launched. It can in return, help to supplement the “universal agenda” with the domestic factors like constitutional condition, political condition and ideology of the decision maker.

To conclude, NPM-reform was not launched just because of the “efficiency” brought. The rhetoric of “efficiency” was brought by the policy actor to seek for their political credit. In return, the rhetoric of “efficiency” is to sustain their regimes, mostly non-democratic. Nonetheless, the NPM-reforms would be a good tool to regain the legitimacy when political reforms were restricted by the constitutional constraint.

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