

CHINA CURBS OFFICIAL EXTRAVAGANCE

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Executive Summary

1. Chinese officials' overspending on vehicles, banquets and overseas trips at public expense ("three public expenses") has been censured by taxpayers as China's fiscal revenue more than quadrupled over the past decade.
2. Pungent criticism facilitated by social media has pressured the Ministry of Finance to publicize "three expenses" of the central government since 2010, but unaudited figures incurred suspicion about the authenticity of the statistics.
3. More importantly, those "central government departments" are only a fraction of China's bulky party-state apparatus. At least 40 million cadres may be beneficiaries from public spending on cars, banquets and overseas trips.
4. The "three public expenses" take up a total of 900 billion yuan (US\$143 billion) of taxpayers' money, or about 10% of China's total fiscal spending each year.
5. China's long history of imperial dynasties, in which political ranking was ritually distinguished by the lavish spending on receptions and luxurious official vehicles, is an embedded cultural factor behind the "three expenses".
6. Chinese officials' craze for luxurious cars could be considered as a continuation of the ancient hierarchical system of sedan chair (*jiaozi*), a traditional vehicle carried by bearers, while their indulgence in banquets is related to the alcohol culture.
7. The imbalance between strong government consumption and weak household consumption has profound impact upon China's domestic consumption market, in which luxurious products sell well while cheaper commodities suffer.

8. To address the issue of overspending, Beijing requested all governments above county-level to include expenditure on cars, receptions and trips in their annual budget and to ban all luxury goods in government consumption.
9. Past stringent experiences have shown that officials would find alternative ways to sustain lavish spending since the party-state, without political opposition and civil supervision, allows non-transparent budgets both at the central and local levels, thus creating opportunities for misappropriation.