

Evolution Logic and Practical Optimization Research on University Governance in China from the Perspective of Institutional Economics

Qingxia Zheng

Guangxi Normal University, Guilin Guangxi 541006

Abstract: Modern universities, as core organizations for knowledge production and talent cultivation, are not only issues of educational management in terms of their internal governance structure, but also embody deep institutional economic logic. This paper takes new institutional economics as the theoretical perspective, leveraging Coase's transaction cost theory, North's institutional change theory, and property rights theory, to attempt to analyze the economic logic behind university governance structures. The results show that: first, the widespread application of the university-department-faculty three-tier structure is mainly to reduce coordination and information costs brought by knowledge differentiation; second, the separation of administrative power and academic power not only ensures organizational efficiency but also serves as a institutional protection for the 'academic property rights' of scholars exploring truth; third, core institutions such as tenure and academic evaluation were formed under the context of high uncertainty in academic output and prominent information asymmetry, serving as long-term incentive and reputation mechanisms. On this basis, this paper examines the evolution of the 'government-university relationship', the discussion on 'de-administration', and the internal logic of faculty system reform in the context of China's university governance reforms from the perspective of path dependence. It finds that the effectiveness of governance depends on whether a balance can be achieved between reducing transaction costs and stimulating academic innovation. The process of China's universities moving toward governance modernization must respect their inherent institutional logic, avoid simply applying corporate models, and both strengthen formal rules while unleashing the endogenous momentum of grassroots academic communities.

Keywords: Institutional Economics; University Governance; Transaction Costs; Institutional Change

DOI:10.12417/3029-2328.26.05.027

1. Introduction

1.1 Research Background and Significance

1.1.1 Research Background

In the new era, China's higher education has entered a stage of massification. The 'China Education Modernization 2035' explicitly proposes the strategic requirement of 'improving the modern university system and advancing the modernization of the university governance system and governance capacity.' Institutional innovation and practice optimization in university governance have become core issues driving the high-quality development of higher education. The deep integration of digital and intelligent technologies with the education sector has reshaped the subject relationships, operational mechanisms, and resource allocation models of university governance, while also presenting new requirements and challenges for the scientificity and adaptability of university governance system design^[1]. University governance is a complex institutional arrangement involving multiple stakeholders such as the government, universities, society, and faculty/students. The issues arising in its operation, such as the imbalance in government-university relations, the ambiguity of the boundary between academic and administrative power, and the lack of channels for faculty/students to participate in governance, are, at their core, deep-rooted problems of institutional supply, institutional implementation, and institutional adaptability^[2].

Institutional economics focuses on the relationship between institutional and organizational operations as its core research object. Its theories on institutional change, transaction costs, and property rights definition provide a scientific theoretical analysis tool for understanding the intrinsic institutional logic of university governance. Existing research confirms that the development process of university governance is essentially a process of institutional change^[5], and the rationality of institutional design and the smoothness of institutional change directly

affect the improvement of governance effectiveness^[6]. Based on this, taking institutional economics as the research perspective, systematically reviewing the institutional evolution trajectory of Chinese university governance, analyzing practical issues and institutional causes in governance practices, and exploring practical optimization paths are of significant practical necessity.

Systematically reviewing the institutional evolution trajectory of Chinese university governance, analyzing practical issues and institutional causes in governance practices, and exploring practical optimization paths are of significant practical necessity.

1.1.2 Research Significance

On one hand, this paper deeply integrates core theories of institutional economics, such as institutional change and transaction costs, with the practice of university governance in China. It not only enriches the applied research outcomes of institutional economics in the field of higher education but also further expands the application boundaries of the theory. While improving the theoretical system of the Chinese modern university system, it also provides new theoretical perspectives and analytical frameworks for research on university governance. On the other hand, by 立足中国 university governance in practical reality, it analyzes the current institutional bottlenecks and their causes, proposing targeted optimization paths from dimensions such as institutional supply, change logic, and multi-party coordination. This offers references for the government to refine institutional design in higher education governance and for universities to optimize specific institutional arrangements internally^{[2][3]}.

1.2 Current Research Status at Home and Abroad

1.2.1 Current Research Status Abroad

Research on university governance abroad began relatively early and has a strong integration with institutional economics. Core theories of new institutional economics have been widely applied to this field, and North's institutional change theory has become an important tool for analyzing the evolution process of university governance abroad. Western scholars have confirmed through research that the development process of university governance in Europe and America is the result of the combined action of two forces: government-led coercive institutional change and market-driven induced institutional change. The governance change of the UK's polytechnic colleges is a typical example. In the study of the relationship between the government and universities, Western scholars have proposed the 'government supervision-university autonomy' matching model, emphasizing the need to clearly define the power boundaries between the government and universities through institutional design, reduce direct administrative intervention, and thereby ensure universities have sufficient autonomy in running schools^[8]. Research on internal university governance^[8] primarily focuses on core issues such as the balance of power between academic and administrative authorities, the construction of professorial governance systems, and the participation mechanisms for teachers and students in governance, highlighting the role of institutions in regulating and constraining power operations^[9]. Additionally, transaction cost theory has been applied to research on university resource governance. Most scholars believe that scientifically designed institutions can effectively reduce various costs, such as information, coordination, and supervision, in the governance process^[10]. Overall, foreign research has formed a mature paradigm of 'theoretical application-institutional design-practical verification' and has provided China with many important theoretical references and practical experiences in university governance research.

1.2.2 Current Domestic Research Status

Research on domestic university governance has gradually developed alongside the deepening reform of higher education systems. In recent years, it has shown diversified and in-depth research characteristics, with the intersection of institutional economics and university governance becoming a key research direction. From the perspective of institutional change, Ma Huanling conducted an in-depth analysis of the institutional change logic for enhancing university governance effectiveness, pointing out that institutional change is the core driving force for improving governance effectiveness^[5]. Wu Libao, combining the context of the digital-intelligent era, proposed that

the transformation of university governance paradigms must rely on institutional innovation to construct a governance system adapted to digital-intelligent development^[1]. In the study of the government-university relationship, scholars such as Hu Jianhua and Zhang Qingling noted that the current government-university relationship in China still faces coexisting issues of government 'overreach' and 'deficiency,' urgently requiring institutional design to clarify the power boundaries between government and universities^{[3][4]}; In the research on internal university governance, scholars like Bao Wansen have clarified the essential differences between university internal governance and internal management, emphasizing the institutional attributes of internal governance and the distinct feature of multi-stakeholder participation^[2]. Zhang Yingqiang and Zhou Qin proposed that China's university academic governance should transition from the governance of academic units to the governance of academic communities, providing specific directions for the institutional design of academic power^[11]. In the study of multi-stakeholder participation in governance, Zeng Jianxiong and Wu Lina analyzed the multi-stakeholder coordination issues in university external governance from the perspective of the triple helix theory^[12]. Liu Yanru and others conducted empirical research to examine the motivational factors for student participation in university governance, with both studies emphasizing the importance of formal institutional provision in ensuring effective participation of multi-stakeholders^[13].

1.3 Research Approach and Methodology

1.3.1 Research Approach

First, clarify the core theories of institutional economics and the core connotations of university governance, analyze their coupling, and construct the theoretical analysis framework of this paper; second, from the perspective of institutional change, sort out the historical evolution stages of Chinese university governance; third, combined with the practical practices of Chinese university governance, analyze the institutional problems in its external and internal governance, and analyze their causes from the perspective of institutional economics; finally, based on the problems and causes, propose practical optimization paths for Chinese university governance from five dimensions: optimizing institutional supply, rationalizing the logic of change, reducing transaction costs, strengthening multi-party coordination, and improving institutional efficiency, forming research conclusions.

1.3.2 Research Methodology

By reviewing literature, works, and policy documents in related fields such as institutional economics, higher education governance, and university systems, grasp the current research status and cutting-edge trends domestically and internationally, sort out the core theories of institutional economics, and lay the theoretical foundation for this paper's research; at the same time, collect relevant practical materials on Chinese university governance to provide a factual basis for analyzing real-world problems and proposing optimization paths. Simultaneously, place the development of Chinese university governance in a specific historical context, divide it into different evolutionary stages according to the logic of institutional change, sort out the institutional characteristics and developmental context of each stage, and summarize the core rules and path dependence of institutional change in Chinese university governance.

2. Theoretical Foundations and Coupling of Institutional Economics and University Governance

2.1 Core Theories of New Institutional Economics

2.1.1 Transaction Cost Theory

This theory is the core theory of new institutional economics, first proposed by Coase, which defines transaction costs as various non-productive costs such as information costs, coordination costs, and supervision costs generated during the operation of organizations. The core argument is that all types of organizational institutional design aim to reduce transaction costs and achieve optimal resource allocation. Different institutional arrangements correspond to differentiated transaction costs, and scientifically reasonable institutional design can reduce internal

conflicts of interest and information asymmetry within organizations by clarifying the rights and responsibilities of entities and optimizing operational processes, thereby improving overall operational efficiency. This theory provides an analytical perspective for analyzing institutional arrangements such as bureaucratic structures and power divisions in university governance, and has also become an important basis for evaluating the effectiveness of university governance institutions^[14].

2.1.2 Institutional Change Theory

North divides institutional change into two types: coercive and induced institutional change. Coercive institutional change is led by external entities such as governments, relying on policies and regulations to promote institutional reform; induced institutional change originates from the interests of internal entities of organizations, being an objective requirement for the endogenous development of organizations^[5]. Institutional change exhibits obvious path dependence characteristics, and some institutional arrangements can profoundly influence the direction of subsequent reforms. If a path lock effect forms, it will constrain institutional innovation. At the same time, the fundamental driving force of institutional change originates from the adaptability between institutional supply and institutional demand. When the existing institutions cannot adapt to the development of organizations, institutional change becomes an inevitable trend^[12]. This theory provides a core analytical framework for sorting out the historical evolution track of Chinese university governance and analyzing its institutional change characteristics.

2.1.3 Property Theory

This theory focuses on the impact of property rights definition on economic behavior, arguing that clear property rights definition is the foundation for reducing transaction costs and improving resource allocation efficiency. Property rights include multiple connotations such as ownership, usage rights, and income rights, and different property rights arrangements will affect the behavior choices of entities^[2].

2.2 Core Connotations and Institutional Composition of University Governance

First, from the perspective of governance, university governance is clearly divided into two major core sections: external governance and internal governance. These aspects not only support each other but can also synergize to advance step by step. University external governance essentially revolves around the relationship between the government and the university. The entire process gradually unfolds around the power division among the three parties—government, society, and universities—as well as the coordination of 各方利益. Its core objective is to clarify the boundaries of government supervision and genuinely safeguard the rights of universities to run independently. At the same time, it actively guides various forces in society to participate in governance in an orderly manner, ultimately forming a good governance pattern where the government, society, and universities collaborate. Hu Jianhua once explicitly mentioned that smoothing out the relationship between the government and the university is the key to effective university external issues governance. This lies in achieving a more sound institutional design to avoid potential 'overreach' and 'deficiency' in government administrative actions. Only then can a dynamic balance be established between government supervision and university independent operation^[4]. University internal governance primarily focuses on the power operation within universities and the allocation of resources, including the management work at the school and college levels, the mutual checks and balances between academic power and administrative power, and the core content of teachers and students as main participants in governance. Its key lies in establishing a governance structure based on academia, ensuring the core position of academic power in university governance. Scholars like Bao Wansen have also clarified the essential differences between university internal governance and internal management, and particularly emphasized that the core of internal governance is to involve multiple stakeholders and bring institutional normative constraints, which is clearly distinct from a single administrative control model^[2].

Secondly, from the perspective of institutional composition, the entire governance system of universities is composed of formal and informal institutions, which can complement and reinforce each other, together forming the

institutional foundation of university governance. Formal institutions are written rules formulated through legal procedures and are content with hard constraints in the governance process, mainly including laws and regulations related to higher education, the university's own bylaws, and various internal management regulations. Among these, the university bylaws serve as the 'fundamental law' of higher education institutions, clearly stipulating the school's educational orientation, power structure, and governance mechanisms, which are the most core institutional bases for carrying out various governance activities {v1}. Informal institutions are unwritten rules gradually formed in the long-term development of universities, belonging to soft constraints in governance, including campus culture, academic traditions, and collectively recognized value concepts. Although they lack mandatory constraints, they can subtly influence the behavior choices of governance subjects and effectively compensate for the shortcomings of formal institutions, forming a good complement to formal institutions, thereby ensuring the smooth and effective operation of university governance {v2}.

Formal institutions are written rules formulated through legal procedures and are content with hard constraints in the governance process, mainly including laws and regulations related to higher education, the university's own bylaws, and various internal management regulations. Among these, the university bylaws serve as the 'fundamental law' of higher education institutions, clearly stipulating the school's educational orientation, power structure, and governance mechanisms, which are the most core institutional bases for carrying out various governance activities^[15]. Informal institutions are unwritten rules gradually formed in the long-term development of universities, belonging to soft constraints in governance, including campus culture, academic traditions, and collectively recognized value concepts. Although they lack mandatory constraints, they can subtly influence the behavior choices of governance subjects and effectively compensate for the shortcomings of formal institutions, forming a good complement to formal institutions, thereby ensuring the smooth and effective operation of university governance^[5].

Third, from the perspective of the governing entities, university governance is inherently a process of joint participation among multiple entities such as the government, universities, society, teachers, and students. Different entities bear different rights and responsibilities within the governance system, and their respective interests also differ^[16]. Therefore, scientific and reasonable institutional design must take into account the interests of these diverse stakeholders, establish smooth participation channels, and create an efficient interest coordination mechanism. Only by doing so can true collaborative governance among multiple entities be achieved. Among them, teachers and students, as core entities of universities, must have their rights to participate in governance clearly guaranteed by formal institutions; while social forces like enterprises and industry associations wish to participate, their modes of participation and boundaries of rights and responsibilities must also be clearly defined through institutional design.

2.3 Coupling Analysis of Institutional Economics and University Governance

First, institutional economics has established a systematic analytical framework for university governance research. The core of university governance lies in the process of institutional design and institutional change, while institutional economics itself takes institutions as its central research object. Its core theories, such as transaction costs, institutional change, and property rights, can help us analyze the motivations behind institutional design, the patterns of institutional change, and various existing issues in university governance^[5]. With the help of transaction cost theory, we can analyze the institutional intentions behind university bureaucratic structures and power divisions. Relying on institutional change theory, we can trace the trajectory of governance evolution, and through property rights theory, we can further analyze the definition and protection of academic power^[10]. Compared to traditional educational management perspectives, this theory can delve deeper into the intrinsic logic of university governance.

Second, university governance practices have enriched and expanded the application scope of institutional economics. Initially, institutional economics theory was primarily applied to economic fields such as enterprises and markets. However, universities, as special social organizations that combine bureaucracy and academia, have

different operational logic compared to economic organizations. This has provided new scenarios for the theoretical validation and expansion of institutional economics^[4]. Issues in university governance, such as the relationships among multiple stakeholders and path dependence in institutional change, not only enrich the research scope of the theory but also provide practical grounds for its refinement.

Overall, institutional economics and university governance have achieved deep coupling at both theoretical and practical levels. Applying the core theories of institutional economics to university governance research not only deepens our understanding and cognition of the logic of governance systems but also provides a scientific theoretical guidance for improving China's modern university system and enhancing governance effectiveness.

3. Historical Evolution of Chinese University Governance from the Perspective of Institutional Economics

3.1 Planned Economy Period: The Stage of Unitary Governance under Government-Wide Control (1949-1978 years)

During the planned economy period, the state implemented a system of 'unified leadership and centralized management' for higher education. In this phase, university operations and governance were entirely subordinate to the national economic plan, making its institutional transformation a typical example of government-led coercive institutional change. The government controlled all core university affairs through administrative directives, including school-running orientation, specialty setting and enrollment scale as well as personnel appointments, funding allocation, and resource allocation. Universities thus became appendages of the administrative system, lacking independent operational autonomy and governance decision-making power^[3]. From the perspective of governance structure, this period did not truly have 'governance' in the conventional sense; only an administrative management system was in operation. University-level institutions were directly accountable to higher-level administrative authorities, and no decentralized model had been formed. Academic power was completely subordinated to administrative power; teachers were merely executors of teaching and research, with no channels or rights to participate in university governance^[2]. From the perspective of institutional economics, such arrangements were a rational choice under the planned economy conditions to reduce overall educational operating costs. Through centralized control, the state could allocate higher education resources uniformly in the short term to meet the rigid demand for professionals in industrialization. However, the highly centralized institutional design also suppressed the vitality of university operations and academic innovation, while also laying institutional path dependencies for subsequent governance reforms.

3.2 Early Years of Reform and Opening Up: Exploratory Governance Stage (1979-1998 years)

After Reform and Opening Up, as the market economy system was gradually established, the national economy placed higher demands on the quality of talent cultivation in higher education and the vitality of university operations. The existing model could no longer adapt to new development needs, making institutional reform in university governance an inevitable trend. During this stage, institutional changes were still primarily government-led, coercive reforms, with the core direction summarized as 'delegating power and sharing benefits.' This meant the government would gradually grant universities operational autonomy, thereby breaking the highly centralized control structure formed during the planned economy era. In 1985, the 'Decision of the Central Committee of the Communist Party of China on Educational System Reform' explicitly proposed 'expanding the operational autonomy of universities,' marking the official start of university governance reform. Subsequently, the government gradually transferred powers such as student enrollment, major adjustments, personnel management, and financial use to universities, while also encouraging them to adjust their operational strategies based on market demands^[4]. In terms of internal governance structures, some universities began exploring a two-tier management model (school-department level), gradually expanding the autonomy of teaching and research grassroots units. At the same time, academic bodies such as academic committees were restored, promoting the gradual separation of

academic power from administrative power. From the perspective of transaction cost theory, the government's delegation of power aimed to reduce coordination costs in the operation of higher education by granting universities certain decision-making autonomy, allowing them to allocate resources more closely to actual operations and market demands, thereby improving overall operational efficiency. However, this stage's reforms still fell under the category of 'government-led, university-passive coercive changes,' with induced institutional changes yet to form. Additionally, due to the lack of clear institutional definitions for the power boundaries between the government and universities, problems such as 'inadequate power delegation and arbitrary flexibility' emerged during the reform process.

3.3 Mass Higher Education Period: Stage of Standardized Governance for Institutional Improvement (1999-2019 years)

In 1999, the policy of expanding college admissions was implemented, allowing China's higher education to enter the massification stage, with the scale of operations continuing to expand, types and main bodies becoming increasingly diverse, and urgent demands being made for the institutionalization and standardization of university governance. This period of institutional changes during this period exhibited the characteristics of dual interactive dynamics: on one hand, the government improved formal institutional supply through laws and regulations, while on the other hand, universities conducted governance explorations based on their operational realities. In terms of formal institutional construction, the 2010 'National Medium- and Long-Term Plan for Education Reform and Development (2010-2020)' explicitly proposed improving China's modern university system; the 2011 'Interim Measures for the Formulation of University Charters' promoted universities to formulate charters, clarifying operational autonomy, power structures, and governance mechanisms as 'fundamental laws'; and the 2014 related implementation opinions further standardized university internal leadership systems, defining the responsibilities and authority boundaries of the Party committee and the president. Meanwhile, the government gradually shifted from direct management to macro-level supervision, implementing indirect management through laws, policies, and evaluations, thereby strengthening the institutionalized guarantee of operational autonomy^[17]. At the internal governance level of universities, the characteristics of induced institutional changes became increasingly prominent, with each university advancing diversified reforms based on its own realities. First, a comprehensive reform of the two-tier management system (school and college) was implemented, with schools delegating powers such as personnel, finance, and teaching/research to colleges, reinforcing the operational status of colleges; second, the academic power system was improved to safeguard academic rights, granting decision-making authority to academic committees in matters like discipline development and title evaluations, clarifying the boundaries between academic and administrative power; third, channels for diverse stakeholders to participate in governance were broadened, enhancing the roles of faculty and student 代表大会, with some universities exploring effective paths for social forces to engage in governance. From the perspective of institutional effectiveness, the institutional design during this phase effectively addressed the needs of mass higher education, significantly enhancing the vitality and governance efficiency of universities. However, some university academic committees still exhibited administrative tendencies, and the two-tier power division between schools and colleges faced issues of 'loosening control without supervision' and 'supervising without loosening control,' reflecting problems such as inadequate implementation of formal institutions and insufficient alignment between informal and formal institutions^[18].

3.4 Period of Popularization of Higher Education: Innovative Governance Stage for Modernization of Governance (2020 years to present)

In 2020, the gross enrollment rate of higher education in China broke through 50%, marking the country's official entry into the stage of universal higher education. Against this backdrop, the deep integration of digital intelligence technology and higher education, coupled with the comprehensive advancement of the strategy to build a strong education system, collectively pushed university governance into a new stage of innovative governance^[1]. The institutional changes during this period exhibit a deep interweaving of government top-level design and endogenous innovation in universities, with the core objective being to construct a modern university governance

system with Chinese characteristics and gradually achieve the modernization of governance capabilities^[5]. From the government perspective, the focus of mandatory institutional change lies in improving the institutional framework and clarifying the power boundaries between the government and universities. The revision of the 'Higher Education Law of the People's Republic of China' in 2021 further strengthened the operational autonomy of universities and defined the government's responsibilities as 'macro-guidance, legal supervision, and service support,' using institutionalized ways to constrain the 'overreach' and 'deficiency' of administrative power^[3]; at the same time, the government is promoting the classified development of higher education, guiding research-oriented, applied, and vocational universities to explore differentiated governance models in response to the diverse development needs of the universalization stage. From the university perspective, induced institutional change has become an important driver of governance innovation and is increasingly integrated with the digital intelligence context. First, the construction of digital intelligence governance systems is accelerating, with universities leveraging big data and artificial intelligence to optimize resource allocation and reduce transaction costs in governance. The development of smart campuses has incorporated teaching, research, and student management into the digital track, significantly enhancing governance levels; second, the governance of the academic community has become an important direction of reform, with the concept proposed by Zhang Yingqiang and Zhou Qin—transitioning from 'governance of academic units to governance of the academic community'—gradually being implemented in universities' academic evaluation systems, improvement of academic evaluation mechanisms, and strengthening of the autonomy of grassroots academic organizations, thereby stimulating the endogenous motivation for academic innovation^[1]; third, the pattern of multi-stakeholder collaborative governance is gradually taking shape, with universities improving channels for faculty and student participation while also establishing systems such as boards of directors and advisory councils to attract corporate, industry, and social forces to participate in governance, promoting the coordinated evolution of external and internal governance.

The governance of the academic community has become an important direction of reform, with the concept proposed by Zhang Yingqiang and Zhou Qin—transitioning from 'governance of academic units to governance of the academic community'—gradually being implemented in universities' academic evaluation systems, improvement of academic evaluation mechanisms, and strengthening of the autonomy of grassroots academic organizations, thereby stimulating the endogenous motivation for academic innovation^[1]; third, the pattern of multi-stakeholder collaborative governance is gradually taking shape, with universities improving channels for faculty and student participation while also establishing systems such as boards of directors and advisory councils to attract corporate, industry, and social forces to participate in governance, promoting the coordinated evolution of external and internal governance.

4. Real-World Issues and Institutional Causes of Chinese University Governance from the Perspective of Institutional Economics

4.1 Fragmentation of Formal Institutions and Lagging Cultivation of Informal Institutions

Regarding formal institutions, the current governance of universities relies on fragmented policy documents and administrative regulations, failing to form a systematic and comprehensive institutional framework. There are cross-cutting and conflicting issues among different institutions, such as inconsistent provisions between university charters and internal management regulations, which make institutional implementation confusing^[13]. Meanwhile, most formal institutions consist only of principle-based rules, lacking direct operational implementation details, and their precision and adaptability are insufficient. Turning to informal institutions, campus culture and academic traditions are still influenced by administrative thinking. The value concepts of 'emphasizing administration over academics' and 'emphasizing management over governance' have not fundamentally changed, which contradicts the requirements of 'academic centrality' and 'collaborative governance' emphasized in formal institutions. The institutional causes of this problem lie in the top-level design of the government during mandatory institutional

changes lacking systematic planning, insufficient induced institutional supply at the university level, and the fact that the cultivation of informal institutions inherently requires long-term accumulation. Their transformation speed is far slower than that of formal institutions, ultimately preventing formal and informal institutions from forming a governance synergy.

4.2 Blurred Power Boundaries Lead to Coexisting Government 'Overreach' and 'Lack of Action'

Although the relationship between the government and universities has gradually shifted from 'direct management' to 'macro-level supervision,' the power boundaries between them have not yet been refined or institutionalized; on one hand, government administrative departments still face issues of excessive administrative intervention, or 'overreach,' in areas such as the establishment of academic programs, personnel appointments, and the management of research projects, where they retain significant direct control. The institutional protection of universities' operational autonomy has not been fully implemented, which contradicts the core logic of property theory that 'clear property rights can improve resource allocation efficiency'^[2]; on the other hand, the government also exhibits a 'lack of action' in macro-level planning for higher education, supervision of educational quality, and public service guarantees, as differentiated guidance for different types of universities and legal regulatory mechanisms for university operations are still incomplete^[3]. The institutional causes of this phenomenon lie in the path dependency of institutional change, which has left the government with the control mindset of the planned economy era. Most formal institutional divisions of power between the government and universities consist of principle-based regulations, lacking directly actionable implementation rules. This results in excessive discretionary power during institutional enforcement, ultimately raising the transaction costs of coordination and supervision between the government and universities.

4.3 The division of powers system is not perfect, and the status of the institutional governance entity is not implemented

The reform of the university-level and college-level management system has been fully implemented, but there still exists the institutional dilemma of 'loose but not managed, or managed but not loose'^[18]; on one hand, the university level has not truly delegated core powers such as personnel, finance, and teaching and scientific research management to the colleges, leaving the colleges with only executive authority rather than substantive decision-making power; on the other hand, the university level lacks institutionalized supervision and incentive mechanisms for the colleges, and no corresponding assessment and evaluation system has been established after decentralization, which results in the lack of initiative in college governance. The institutional root cause of this problem lies in the fact that the institutional design did not clearly define the property rights and authority-responsibility boundaries between the university and the colleges, and there is a lack of supporting decentralized implementation and supervision mechanisms; the university level chooses to maintain a centralized model to reduce transaction costs associated with 'delegation risks', while the colleges, due to insufficient institutional guarantees, find it difficult to become true operational entities^[6].

4.4 Inadequate Channels for Faculty and Student Participation, Insufficient Governance Voice

Teachers and students are the core entities of universities, but their institutionalized channels for participating in internal governance remain inadequate, and their governance voice is limited^[19]. On one hand, the powers of the faculty congress and student congress have not been clearly defined in institutional form, with their proposals and suggestions mostly being 'consultative' and lacking substantive decision-making influence; their meeting procedures and rules of procedure are also lacking institutionalized norms. On the other hand, there are no channels for faculty and students to participate in the governance of colleges and disciplines, making it difficult to effectively incorporate their opinions on curriculum design, teaching management, campus construction, and other aspects. The institutional causes lie in the fact that the institutional design of internal governance still prioritizes administrative power, with the property rights of faculty and students as governance subjects not being institutionalized, and the lack of formal

institutions to protect their participation rights, leading to excessively high transaction costs for faculty and students to participate in governance, ultimately resulting in a 'passive participation, ineffective participation' scenario.

4.5 Path Dependency Lock-in, Digitalization-driven Institutional Innovation Lags

University governance's institutional innovation remains constrained by path dependency lock-in effects, making it difficult to break free from traditional administrative governance models. Meanwhile, in the context of digitalization, institutional innovation tailored for digital governance lags behind. Although most universities have built digital platforms like smart campuses, they have not established corresponding digital governance systems, such as data property rights clarification or digital regulatory frameworks, which remain incomplete, leaving the enabling role of digital technologies underutilized. The institutional root cause lies in the solidified interest groups of administrative governance, where innovation threatens the rights of existing stakeholders, creating excessive resistance. Additionally, universities lack incentives for induced institutional innovation, while government-driven mandatory institutional supply for digital governance has not kept pace. Ultimately, the transaction costs of institutional innovation become prohibitively high, failing to meet governance demands in the digital era^[1].

5. Practical Optimization Paths for University Governance in China from the Perspective of Institutional Economics

5.1 Optimizing the Institutional Supply System to Achieve Synergistic Adaptation of Formal and Informal Institutions

First, establish a systematic formal institutional system, centered on the university charter, to organize and integrate scattered policy documents and administrative regulations, eliminating issues of institutional overlap and conflict^[13]; refine principle-based institutional provisions into actionable implementation rules, clarify the execution processes, responsibilities, and accountability standards of various institutions, enhancing their enforceability. Second, cultivate non-formal institutions based on academic principles, discard administrative governance mindsets, promote a campus culture of 'professor-led learning and academic freedom,' shape a governance philosophy of collaborative co-governance among multiple stakeholders, and make non-formal institutions effective supplements to formal ones. Third, establish a dynamic adjustment mechanism for institutions, regularly evaluate the efficiency of institutional operations in line with higher education development needs and university practices, promptly revise and improve incompatible institutional content, and achieve a dynamic balance between institutional supply and demand^[6].

5.2 Rationalizing Government-University Power Relations to Construct a Rule-of-Law-Based Collaborative Governance Model for Government-Universities

Treat the institutionalization of property rights boundaries as the core, 推动 the relationship between the government and universities from 'administrative control' gradually shifting to 'legal supervision and collaborative co-governance,' reducing the coordination and supervision costs between them. First, clearly define the institutionalized boundaries of government and university powers, specify the government's macro supervisory responsibilities and universities' operational autonomy through regulatory details, limit government management to areas like planning guidance, quality supervision, and public services, and prevent excessive administrative intervention 'overreach' issues; simultaneously, improve the government's supervisory service system, formulate differentiated guidance and evaluation standards for universities of different types, and address gaps in public services and quality supervision. Second, establish institutionalized channels for equal consultation between the government and universities, set up regular communication mechanisms, and ensure universities fully consult the government when making major operational decisions, while the government incorporates suggestions from universities and industries when formulating policies, achieving information symmetry between them and reducing coordination costs^[20]. Third, strengthen institutional safeguards for operational autonomy, clarify universities' autonomous decision-making power in areas like personnel, finance, and disciplinary development through legal

means, ensure institutional provisions are genuinely implemented, and avoid arbitrary power delegation or withdrawal.

5.3 Improve internal governance structure, clarify property rights boundaries, and implement grassroots governance power

Treat academic property rights protection as a core priority, optimize the power structure and resource allocation mechanisms within universities, reduce the transaction costs of internal governance, and activate the vitality of grassroots governance; First, clearly define the institutional boundaries between academic and administrative power, ensure the decision-making power of academic committees in core matters such as discipline construction, academic evaluation, and professional assessment is implemented, guaranteeing the independent operation of academic power and preventing administrative interference in academic affairs; At the same time, clarify the service and support functions of administrative departments, promote administrative power to serve academic power, and establish a power structure of 'academic leadership and administrative support'. Second, improve the power-sharing system between the university and schools, truly delegate core powers such as personnel, finance, and teaching and research management to schools, and clarify the subject status of school-level governance; At the same time, establish supporting supervision and incentive mechanisms, formulate a performance evaluation system for school-level governance, and achieve 'equal emphasis on power delegation and supervision, and combination of incentives and constraints'^[21].

Third, optimize resource governance systems, follow the principle of minimizing transaction costs, simplify processes such as research funding reimbursement, and reduce non-productive costs; Establish a market-oriented and scientific resource allocation mechanism, allocate resources based on discipline construction and educational benefits, and improve the fairness of resource competition systems, enhancing the efficiency of resource allocation^[10].

5.4 Strengthening Multi-stakeholder Collaboration, Building Institutionalized Co-governance Participation Mechanisms

Protecting the property rights and participation rights of diverse stakeholders should be treated as a core principle. Broaden participation channels and improve benefit linkage mechanisms, guiding the government, universities, society, and faculty to gradually shift from 'single governance' to 'collaborative governance'^[7]; First, refine institutional channels for faculty and student participation in governance, clarify the substantive decision-making power of faculty and student representative assemblies, and incorporate their opinions into the university's and college's decision-making processes. Fully incorporate faculty and student suggestions in areas such as curriculum design, campus construction, and management reforms^[21]; Second, strengthen the institutional framework for social participation in governance, clearly define the authority and responsibility boundaries and meeting rules of university boards of directors and trustees, and grant them advisory and decision-making power in areas like educational orientation, talent cultivation, and university-enterprise cooperation^[12]; Establish an interest linkage mechanism for social participation, promoting in-depth collaboration between universities, enterprises, and industry associations, ensuring precise alignment between talent cultivation and scientific research innovation with industrial needs, and enhancing the initiative of social participation. Third, construct a mechanism for coordinating the interests of diverse stakeholders. Establish a dedicated governance coordination body to address the interests of different stakeholders, creating institutionalized communication and consultation platforms to resolve conflicts of interest during governance and reduce transaction costs for collaborative management.

5.5 Promoting the empowerment of digital-intelligent technologies and establishing a institutional safeguard system for digital-intelligent governance

In line with the big trend of digital-intelligent development, treat institutional innovation as the core driver, enabling digital-intelligent technologies to truly become important means for reducing transaction costs and

enhancing governance efficiency; First, improve the basic institutions of digital-intelligent governance, clarify the rules for defining data property rights, establish relevant systems for high-quality data sharing and security management, and standardize the entire process of data collection, use, and storage, ensuring that digital-intelligent governance work can proceed in an orderly manner^[4]; Second, construct digital-intelligent decision-making and regulatory institutions, use technologies like big data and artificial intelligence to build governance decision analysis platforms, achieve precise decision-making in areas such as educational quality, resource allocation, and faculty and student services, while establishing a digital-intelligent regulatory system to conduct real-time supervision of institutional implementation, power operations, and resource use, thereby improving the efficiency and precision of regulation^[21]; Third, promote the digital transformation of governance processes, gradually shift offline governance processes such as teaching and research, personnel and finance, and student management to the online environment, achieving digital and convenient governance services, reducing information asymmetry and coordination costs brought by manual processes, and significantly improving the level of governance refinement.

6. Conclusion

This Conclusion paper adopts a perspective from new institutional economics, combining theories of transaction costs, property rights, and institutional change, to trace the institutional evolution of university governance in China. It analyzes practical issues and deep institutional causes in governance practices, while also proposing targeted optimization paths. The study finds that the development of university governance in China is the result of both government-led coercive institutional change and endogenous institutional change within universities, progressing through four stages: comprehensive government control, exploration of decentralization, institutionalized standardized development, and innovative governance modernization. However, due to factors such as unclear property rights definition, insufficient alignment between institutional supply and demand, and administrative path dependency, current university governance still faces issues like unclear power boundaries between the government and universities, imbalance in academic-administrative power, and low efficiency in collaborative governance, falling short of modernization requirements. From the core logic of institutional economics, the essence of university governance lies in scientific institutional design to clarify property rights and responsibility boundaries among stakeholders, reduce governance transaction costs, and achieve dynamic adaptation between institutional supply and demand. Therefore, advancing governance modernization requires, on one hand, breaking administrative path dependency and clarifying power boundaries between the government, universities, and academic units through institutional means, and on the other hand, establishing a multi-party collaborative governance mechanism to ensure the participation rights of faculty and students and social forces, while leveraging digital intelligence technology to empower governance, improving supporting institutions to ensure that institutional design truly serves the core goals of reducing costs and activating potential, ultimately achieving a balance between governance efficiency and academic development.

References:

- [1] Wu,L.B.(2022).Paradigm transformation of university governance in the digital age.Educational Development Research,42(3),3.
- [2] Bao,W.P.,Lu,L.,&Lou,J.(2022).Discrimination between internal governance and internal management of universities.Heilongjiang Researches on Higher Education,40(5),51-57.
- [3] Zhang,Q.L.(2022).Game of power:An analysis of the“government-university relationship”model in university governance—Improvement of the power structure of“government-university relationship”in China’s university governance.Modern Education Management,(5),25-35.
- [4] Hu,J.H.(2022).Government-university relationship in external university governance.Journal of Higher Education,43(5),19-25.

- [5] Ma,H.L.(2022).The institutional change logic of improving university governance effectiveness—A review of Legal and academic principles:A study on accountability for academic misconduct in universities.Journal of Jishou University(Social Sciences Edition),43(1),125-134.
- [6] Xing,Y.,&Pan,L.(2022).Improvement of university governance efficiency:Generative logic,thinking mode, governance structure and institutional design.Theory and Practice of Education,42(9),3-8.
- [7] Hui,Z.Z.,&Cheng,M.(2022).Governance transition of British polytechnics:Patterns,dynamics and effectiveness. Foreign Education Research,49(3),112-128.
- [8] Zhang,P.,&Gong,F.Q.(2022).Dilemma and way out of internal governance of private colleges in China—Inspiration from American private universities.Theory and Practice of Education,42(6),3-7.
- [9] Luo,H.O.,&Cui,Q.E.(2022).Professors’academic governance:An exploration of internal management mechanism reform in universities.Education Review,(2),29-35.
- [10] Qi,T.,&Li,X.W.(2022).Synergistic research on financial governance elements of university research funds in China—Based on composite system synergy degree model.Journal of Beijing Union University(Humanities and Social Sciences Edition),20(1),116-124.
- [11] Zhang,Y.Q.,&Zhou,Q.(2022).From academic unit governance to academic community governance:The basic direction of academic governance reform in China’s universities.Journal of Higher Education,43(2),31-41.
- [12] Zeng,J.X.,&Wu,L.N.(2022).Analysis of multi-subject synergistic development in external university governance from the perspective of triple helix theory.Heilongjiang Researches on Higher Education,40(1),16-22.
- [13] Liu,Y.R.,Song,D.,&Zhao,Z.(2022).An analysis of motivational factors for student participation in university governance—An empirical study based on universities in Liaoning Province.Higher Education Development and Evaluation,38(2),117-118.
- [14] Yang,D.C.(2007).New institutional economics.Nanjing:Nanjing University Press.
- [15] Guan,P.J.(2022).Some understandings on adhering to and improving the president responsibility system under the leadership of the university party committee.Journal of National Academy of Education Administration,(4),5-8.
- [16] Liu,Y.J.,&Hao,Y.(2017).Research on the modernization of governance system and governance capacity of modern universities based on new institutional economics.Kanto Academic Journal,(11),147-154.
- [17] Du,Y.(2021).On the dilemma of community public service supply and its spontaneous governance from the perspective of new institutional economics—A case study of the resettlement community of G University.Operation and Management,(5),103-107.
- [18] Wang,H.M.(2022).From“regulation”to“good governance”:Practice and reflection on the reform of university-college two-level management system.Journal of National Academy of Education Administration,(5),31-37.
- [19] Shen,S.L.(2022).Governance of German universities of applied sciences:Dimensions,characteristics and enlightenment.China Vocational and Technical Education,(15),74-81.
- [20] Guo,L.J.,&Zhou,J.L.(2023).The logic evolution of internal governance system in Chinese universities from the perspective of historical institutionalism.Heilongjiang Researches on Higher Education,41(8),42-48.
- [21] Du,Y.R.(2023).Research on optimization of internal governance in local universities—Taking G University in Gansu as an example(Master’s thesis).Northwest Normal University,Lanzhou,China.