

● **SYMPOSIUM: The Incentive Effects of Government Regulations**

Introduction: Getting Incentive Rights: The Success and Failure of Government Regulations

..... Xin Gu

Yardstick Competition: The Incentive Effect of Government Regulations and Procurement

..... Zhe Wang & Xin Gu

Abstract The theory of yardstick competition (YC), which originated in Western academia in the 1980s, has become an important branch of public management research, especially in government regulations and procurement. As a significant incentive instrument, YC has broadened the theory of traditional, individual – based regulation. Under the YC scheme, the regulator sets the price based on the comparison between the cost of the regulated firm and its counterparts. As a result, competition is introduced artificially in sectors with market failures such as a natural monopoly, information asymmetry and externalities. YC thus would greatly improve the incentive mechanism in principal – agent relationships and enhance the performance of public management. This paper offers a systematic examination of the origins, development and conditions of the YC theory. The theory promotes progress in four ways. It helps overcome the negative impacts of heterogeneity among the regulated organizations. It also helps to cope with inter – organization collusion and with the decreasing quality of public services. Finally, it helps deal with dynamic efficiency change.

Key Words Yardstick Competition; Incentive; Regulations; Information Asymmetry; Government Procurement; Public Services

Environmental Regulation and the Environmental Performance of Small and Medium – sized Enterprises (SMEs): Evidence from the SME Board and Growth Enterprise Board Listed Firms in China

..... Wenbin Long, Sihai Li & Xianzhong Song

Abstract Based on the Institution Theory, this study empirically examines whether strict environmental regulation can improve the environmental performance of small and medium – sized enterprises (SMEs); our data set is made up of the firms listed on the SME board and Growth Enterprise Board in China. Based on the study's findings, the

overall impact of environmental regulation on SMEs' environmental performance is positive, and this positive effect is more significant for firms operating in heavy – pollution industries. It was also found that the establishment of an internal environmental management system can not only improve the environmental performance of an SME, but also strengthen the positive effect of environmental regulation on an SME's environmental performance. Combining the theories of institutional levels and organizational levels, this study focuses on the effect of environmental policies from the perspective of the regulation targets, i. e. the firms. Thus, the study expands the scope of theoretical research on Public Policy and Corporate Environment Responsibility. It also provides suggestions for government to formulate environmental policies and for SMEs to better improve their environmental performance.

Key Words Environmental Regulation; Small and Medium – sized Enterprises (SMEs); Environmental Performance; Empirical Study

Officials Characteristics, Incentive Mismatching and Regulation Distortion—— Based on the Experience of Chinese Cities' Power Cuts

..... Kaihua Yuan & Houjian Li

Abstract This paper examines theoretically proposed incentive mismatch within the policy context of electrical power cuts. Relevant data regarding officials own characterizations of the internal mechanisms that impact of government distortions to regulatory behavior. Studies show that simple power cuts is not an ordinary, administrative method but rather results from incentive mismatch and the promotion of the distortive interests of political officials. Specifically, the longer officials are allowed to remain at their posts, the smaller the probability of promoting officials more inclined to short – sighted policies. But low political risk characteristics make this rather infrequent. Local officials, who often have a need to help a specific interest group, tend to be more inclined to make a biased policy. Longer terms may lead to the rational development of officials as well as the effective reduction of short – sighted behavior. All of the above leads to the individual characteristics of the implementation of regional differentiation of the policy. This indicates that the government, in order to correct distortions, not only needs to improve environmental incentives but more officials must focus on individual differences. Even taking into account the potential impact of political turnover, the conclusions of this paper are still robust.

Key Words Power Cuts; Local Governments; Grab Behavior; Officials Individual Characteristics

●SYMPOSIUM: Mobilization and Policy Implementation

Introduction

..... Dongya Huang

Explaining China's Policy Deformation: *Tiao/Kuai* Authority Relations under Campaign – Style Governance

..... Ji Liu & Cai Xiong

Abstract High standards set by a higher authority in a pressurized system tend to induce a large amount of policy deformation in lower level governments. Focusing on the mechanism of policy deformation, we argue that the role transformation of a policy from routine work to political task in a campaign causes the change of *tiao/kuai* authority relations in policy implementation. This will then induce a large amount of policy deformations. Our research shows that weak political incentives for provincial leaders during normal governance operations leaves the work of birth control in a mode of “*tiao* begging *kuai*”. The Family Planning Commission (*tiao*) at various levels asks local governments (*kuai*) for cooperation. However, under the campaign – style governance led by the central government, provincial leaders receive strong incentives and the previous mode is replaced by “*kuai* leading *tiao*” which could induce abundant policy deformations. This paper examines two separate years under campaign – style governance. We found that the stronger the political incentives provincial leaders faced, the more policy deformations that occurred.

Key Words Policy Deformation; Political Incentive; Campaign – style Governance; *Tiao/Kuai* Authority Relation; Birth Control

Implementation Mechanism and Inherent Logic of Hierarchical Cooperation in Campaign – style Governance; Based on Content Analysis

..... Hong Wen & Tie Cui

Abstract This paper explores how campaign – style governance influenced the structure and operation of the bureaucratic system in the ‘Jinan Health Town’ case. Hierarchical cooperation in campaign – style governance follows the top – down power path and bottom – up governance path. The top – down power path allows for the

examination of the existing bureaucratic system's obedience and action capability through competitive authorization from the top level, thereby enhancing the central authority. The bottom – up governance path strengthens departmental cooperation and mobilizes social forces to achieve integration of the administrative system structure and reproduction of the structural governance power. In the Chinese style of governance authority, the mechanism and paths mentioned above show that campaign – style governance is not only performance – oriented but also structure – oriented. Consolidating the administrative hierarchy, acquiring governance power and resources, and creating “all – round government” have become the inherent logics appearing frequently in campaign – style governance.

Key Words Campaign – style Governance; Hierarchical Cooperation; Bureaucratic System; All – round Government

Policy Marketing in Local Government: The Survey of Guangzhou Garbage Classification Policy

..... Xiaoyun Chen & Tingting Zhang

Abstract Policy marketing means the government uses marketing concepts and strategies to get the public to accept and support a policy. Based on a case study of Guangzhou's garbage classification policy, the paper describes the policy marketing of local government and suggests that the competition among policy agenda items, the response to administrative pressure and the dilemma of social mobilization call for policy marketing. Specifically, the policy marketing mix takes a tri – component form: policy product design, place construction and public promotion. Policy marketing in Guangzhou shows the adjustment of governance and the benign interaction between the government and the public. The case study raises new problems for further research.

Key Words Policy Marketing; Policy Product; Marketing Place; Public Promotion; Garbage Classification

● THEORETICAL REVIEWS

Decentralization and Governance: A Literature Review from Neo – Political Economics Perspective

..... Hongtao Xie

Abstract The most important theoretical argument concerning decentralization is that it

can make government more accountable and responsive to the governed. Improving governance is also a central justification of real – world reformers. But the literature has mostly focused on policy – relevant outcomes, such as education and health services, public investment, and fiscal deficits. This paper examines how decentralization affects governance. In particular, how it might increase political competition, improve public accountability, reduce political instability, and impose incentive – compatible limits on government power, but also threaten fiscal sustainability. Such improvements in governance can help spur the broad historical transitions that define development.

Key Words Local Government; Political Competition; Accountability; Decentralization; Governance

● BOOK REVIEWS

The Development – oriented Public Financial Management; A Review of *The International Handbook of Public Financial Management*

..... Qiong Liu