

CASE STUDIES IN
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CHANGE

中国制度变迁的 案例研究

(第二集)

执行主编 张曙光

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Foreword: Case Study and Case Teaching

By Zhang Shuguang

The first volume of the “Case Study in China’s Institutional Change”, edited by the Beijing Unirule Institute of Economics, sent extensive repercussion both domestically and internationally. It thus caught the attention in the theoretical sphere as well as in the circle of practitioners and was well received by its readers. As well, “The Chinese Social Science Quarterly” thereafter published its own “Theme Comment” for the Case Study. Moreover, the first 2,000 copies have been sold out and the second printing is in the process. All of what has occurred since the Case Study was first published has indeed encouraged us to push further forwards the research work. After two years’ effort, the second volume of the Case Study has been completed, published and presented currently to its dear readers.

1. About Case Studies

In the foreword of the first volume, the author, in fact, discussed the methodology of case studies and its theoretical basis. In addition, Dr. Zhou Qiren, Dr. Zhang Jun and the author, together with two writers of the case studies in the first volume, had in the

“Theme Comment” a further deliberation on that matter. With the practical experience gained from the research of the first two stages, however, we can, in terms of the methodology, hold a much more detailed and meticulous discussion which would be constructive to the third volume of the case study.

1-1. Selecting and Describing Case Stories

As a matter of fact, the most important factor in case studies is to write a complete and truthful story. In fact, the first two volumes of the case studies have paid due attention to the matter of selecting and describing the case stories. Some conducive probes into the case studies were done. As a result, the first two volumes have by and large accomplished their aims in this aspect. In the first volume, for instance, the cases written by Yang Xiaowei and Chen Yu, who chose the stories of the spontaneous stock market in Hongmaozi, Chengdu and the over the counter stock transaction in Shanghai, respectively, were given a reasonably good portrayal. Highly appraising the work done, Qiren commented on it with the remark upon their portraying “a truthful world which fascinates the readers”. In the second volume are there another two examples in which Zhang Fan and Yang Ruilong, two case writers in the volume, depicted the story about the loosening regulations in the Chinese Civil Aviation sector and that of establishing Kunshan economic zone, respectively as their cases. Both writers have in their respective work given a vivid description about the development process of the two events. Notwithstanding the achievement in the first two stages, there, in terms of the selection and the description, still exist obvious deficiencies in the few. With the experience obtained

thus far, we can come up with the following findings.

The selection of case stories is the prerequisite to the successful description and analysis afterwards. Hence, the foremost issue which awaits to be addressed in case studies is how to select a story which is not only lively and touching in its content, but also profound and reminiscent in its nature. Here are a few factors needed to be taken into consideration.

Firstly, one should select the events which are not following the common sense and logic, especially those that are in conflict with authoritative prophecies as well as assertions. About this point, Qiren (1997) has clearly discoursed in his critique, together with a brilliant analysis for the selection of the case stories in the first volume. As its predecessor, the second volume is no lack of the stories in accordance with the criterion in question. For example, the cases selected, such as the story written by Liu Shijin and Jiang Xiaojuan about the compensatory transfer of tobacco planning quota, Yang Ruilong's case story concerning the development process from the self-funded innovation to the State-sanctioned reform in Kunshan Economic Development Zone, and the story of the first non-State owned railway by Huang Shaoan, are all not quite compatible with the popular theories and the traditional mentalities. Just because of the uncommon logic nature which these stories possess, in fact, they have obtained the competitive edges in the sense of novelty. They thus become so fascinating that the readers not only want to pursue the clues to the end, but also raise a series of questions as: why could such an event possibly occur? How did it take place? What will be the outcome? So on and so forth.

Secondly, one can also select the incidents whose occurrence are forbidden by stipulated public policies and which are nonetheless widespread and keep cropping up. One of the typical examples has to be the incident of folk financing. It is just one of this kind of events that Zhang Jun chose as his case story which portrays the non-regulated folk financial sector in Wenzhou with the expression of "gone with a prairie fire, back again in the spring breeze". This kind of stories, in effect, possesses the dramatic and appealing characteristics. They are likely, therefore, to induce readers pondering over the issues like:

It must have its special reasons and particular arrangements for those incidents to take place continuously while being forbidden.

It must have a sort of mechanism specific so that borrowers and lenders are willing to accommodate each other even though the rates of interest in the non-regulated market are much higher than the official interest rates.

Given what happens in the reality, what kind of fates will those activities end up with in this risky game of the "forbidding and counter-forbidding" since the ban on the activities is stipulated by the authorities.

Thirdly, it is also preferable to choose the events which possess the characteristics of being permeated with internal contradictions, in which the intensified conflicts exist and which are seemingly insolvable. It is corollary that the events so selected are in the sense like mountain rocks rising and falling, and also full of complexity and tortuousness. By utilizing this kind of events as the objects of case studies, the story depicted afterwards will hence embody the

specific, vivid, lively and fascinating attributes. The cases, written respectively by Zhang Fan about the civil aviation reform and by Chen Zongsheng concerning the egg price control in Tianjin city, have in fact such characteristics. So do Zhong Jiying's portrayal of the semi-unemployment and occupational transition, Yu Hui's analysis of the obstacles of the medicine regulation, and Zhang Shuguang's comparison of the incident occurred in Huiming of Shandong province, where "the big" wanted to take over "the small" in the market competition, with the one happened to Yi'u in Zhejiang province, where "the small" merged into "the big".

After the selection has been decided, the next task will be to describe and to analyse the selected event. The task is, in the sense, like narrating a story, in which the same story told from different narrators would have different impacts on his/her listeners. Some can make the listeners crack with gut laughter, whereas others would let them feel extremely bored; Some are able to have the listeners pondering over the matter time and again, being unable to let go. On the other hand, some may not leave to the listeners any impression at all. Such phenomena reflect the fact that the ultimate impact of a story resulted from its description depends on the structural arrangement, the selected material handling, the essence grasped and the technique applied. Insofar as the first two volumes are concerned, the objective, in terms of the description of case stories, has by and large been achieved. With a careful examination of the first two volumes, however, there are still many shortcomings. One of the obvious deficiencies is that not enough attention has yet been paid to the micro-level coherence in the transitory process

while the macro – phenomenon in the process is duly emphasized. There are in effect two considerations on this deficiency, one is lack of detailed descriptions in the key links of the stories. The other is lack of a specific portrayal of the institutional entrepreneurs personally in terms of their actions.

For a truthful and complete event, there must be the causes or the inducements, the conditions for and the process of its expanding, the mechanisms whereby the change takes place, and finally its outcome. No matter how complicated and tortuous the event is, there are usually one or two key links in it. Provided that the key links can be seized upon, laid stress on, described specifically and analyzed in great detail, the foundation upon which the ultimate success of case reporting is based will be established. Hence, not only can the lively backdrop of a truthful world be emerged before one's eyes, but also the key links so managed can be very much conducive to the search for the constraints and the mechanisms behind.

One common deficiency in the current case reporting, however, is that not enough effort has been given to the descriptions and the analyses of key links. Some reports are equally stressed, ignoring the key links so that they talk anything but nothing. Some do find the key links, but not seize upon or let them slip through. In short, all fall short of specific descriptions and analyses in this aspect. Even in the relatively successful ones in the first two volumes, there still exist the same deficiency which is only different in degree. In the Yang Xiaowei's story in the first volume, for instance, that "Chuanyanhua" confessed that the copy of his ID served as the legitimate certificate for the stock transfer, is one of the key links which

has been given some descriptions and analyses by the writer. It can be argued that it would be much more vivid and significant if the various considerations and evaluations in the specific decision – making process at that time could be put more ink upon. Taking another example of the Huang Shaoan's case reporting in the second volume, there are two key links in it. One is about Government selling the special permit in the money market and the other is of loosening regulations by the means of regulations. Although the descriptions for the two key links have been specifically done, it would be reasonable to say that the report would have been more dramatic and colourful if the dynamic and intertemporal relationship of the event could be expanded in his analyses centred around the two key links.

The process of the institutional transition is, in essence, the striving and competing process of the institutional entrepreneurs. Hence, the protagonist who brings forth new ideas should be represented by an individual institutional entrepreneur, not a certain sector and department. The report, which embodies the characteristics of reflecting the choices and the actions done by an individual institutional entrepreneur, can thus be vivid and truthful, and indeed the process of the transition as such can then be significant.

Some reports have taken notice of the point, so that they are, in the sense, very tasty and illustrative. Sheng Hong's report in the second volume, for instance, is the case in question. In it, he depicted the story of a firm named "Unicom" wrestling with Ministry of Post and Telecommunications and General Office of Telecom on various issues, such as entering the markets of local and long distance calls, distribution of telephone numbers, sharing the network

resource with Telecom, tariff charge and settling the account. The story provided a detailed descriptions of how their report got delayed and then rejected after being submitted; how they subsequently sought intervention and coordination from the concerning vice premier and State Planning Commission; how they eventually got to the stage where they could draft research report for legislating the Communication Industrial Act from the original informal ad-hoc action, and finally, how they learnt to draw support out of society from the original “do it yourself” attitude.

Another example is Yang Ruilong’s report in the same volume. He depicted the process of the development from the self-funded innovation, to the province-sanctioned, and then to the State-sanctioned reform in Kunshan Economic Development Zone. In the story, the vivid descriptions were given of how to “get connected” via “relationship”, how to play with words and to circumvent the policy restrictions in the “tacit” manner; how to invite celebrities, journalists and to utilize meetings in which they smartly made use of “what others said” as well as “what they themselves said”; and how to take advantage of the written instructions and the inscriptions from the leading cadres so as to change the status of their own innovation from the “under” to the “above” ground, achieving their goal of “getting marriage certificate after having a baby”.

In such a depiction which presents the lively performance of the institutional entrepreneurs, the qualities of them, such as the agility in seizing any new and profitable opportunities, the shrewdness in judging appropriate timing, the deviousness in getting the best of the bargain struck with the cards they hold, and their boldness of

risk – taking to achieve maximization under given constraints, are all unfolded before one's eyes. In fact, the institutional change itself is the lively drama directed by the institutional entrepreneurs. Unfortunately, quite a few reports, which fix their eyes only on sectors and departments without seeing through the activities and creativity of those individual institutional entrepreneurs, have not yet taken notice of the point. It is this deficiency, therefore, which needs be addressed and overcome in the research afterwards.

It is worth noting that some reports are well presented, whereas some others not. Basically the difference lies in the extent to which a thorough empirical investigation has been conducted. Personally, I do appreciate the words coined by Liu Shouying in his case report, which say “going into villages”. It is very true that we ought to be going into villages to find out what on earth is going on there, how the economic agents there and those institutional entrepreneurs themselves see, think and do, and what the main problems they are confronting. As a matter of fact, the writer himself has done his work accordingly. Indeed, anyone that is engaged in case studies should fit self in amongst his/her research objects so as to see, feel and learn.

Insofar as this respect is concerned, the economist ought to learn from their fellow sociologists. Recently, the author has read through some of the case studies written by various sociologists. These stories are so specifically and meticulously described that they have left to the author a striking impression. In order to present a reasonably good portrayal, some of them with their discerning eyes, for a long period, lived among and talked with their research ob-

jects, so that quite amount of evident information available was obtained. When talking about the way of analyzing as well as generalizing, however, the sociologists probably need to learn from their fellow economists. No matter who should learn from who, there is one thing clear, that is, more effort in searching for empirical knowledge in the truthful world will have to be exerted by the economists if the case analyses in the institutional transition can be adequately presented.

1 - 2. The Analyses , Extraction and Distillation of Case Reporting

The truth of a matter is that it cannot be regarded as a case study if there is no story in it. But simply telling a story is certainly not enough, especially in the case studies about the institutional transition. As far as the current practical experience is concerned, our writers still fall short of the requirement of further analyzing, extracting and generalizing their case stories, in other words, as criticized by Qiren, "starting with too much theory, ending with too little generalization". Even in the second phase of the case studies, such a deficiency is also apparent. Such a phenomenon, in the sense, is like the way in which a final good is being produced, that - is, with right raw and/or intermediate material, the final good of high quality cannot be made if there are the inadequacies in its processing. It, in turn, results in lower than expected value in the good. Hence, close attention has to be paid to the phenomenon and the solution has to be found with great efforts. According to the experience so far, there are a few issues in this regard that need to be addressed adequately.

Firstly, about the introduction and the explanation of theoretical background.

Before telling a story in a case study, one must be absolutely clear about one's theoretical background against which his/her discussion will be carried out and understand within what theoretical tradition one will discuss. Only then, the story can be significant and can possibly be further analyzed, extracted, summarized theoretically and generalized eventually. In fact, a good case story must be the one that serves, within an academic tradition, as the test to a certain theory or as elucidation of the issues that have yet to be explained. Regardless of theories or issues, thus, their significance can only be explicated within the framework of the tradition. Otherwise the case study would simply be story narrating and result in disappearance of its expected value and significance.

In the first two phases of the case studies, some discuss against the background of the new institutional economic theory, whereas others in the framework of the neo-classical economics. Some include certain school of economic thoughts implicitly in their discussions while some others briefly touch upon the theoretical settings in which their discussions are expanded. No matter what forms they are taking, it seems there are still a few that have not yet been clear about their theoretical stances upon which their discussions are based.

In the second phase of the case studies, for example, there are four or five cases either directly or indirectly concerning "regulation and loosening regulation". The report written by Zhang Fan belongs to the "implicit" category, that is, in his discussion about the eco-

conomic feature of the civil aviation, the theoretical background is implicitly referred to. Nonetheless, the extraction and the theoretical summation are not dealt with. Consequently, it is difficult for a clear theoretical proposition to arise. Although the story is very lively, it becomes impossible to be further developed theoretically.

For that matter, Huang Shaoan's report has a brief introduction. He clearly indicated in his report that the situation of State-control in China prior to the reform should not be the reflection of the relationship between the market and the government, but of the intrinsic feature of the planned economic system itself, and that the situation of loosening regulation since the reform could not simply be explained within the framework of the regulatory economic theory albeit it had something to do with the relationship between the State control and the market competition. In consequence, the writer carried out his discussion within the framework of the institutional economics. With the hypotheses of the institutional theory as the analytical tools, the writer in his analysis challenged some of the hypotheses of the new institutional economics, and also supplemented and amended them. By so doing, that is, rejecting outright the regulatory economics in his analysis, he was prevented from delving into and further developing the matter in such an aspect. In fact, the regulatory economic theory and its methodology can be utilized in the discussion. For instance, the event concerning "loosening regulations by the means of regulations", to certain extent, is the case of "incentive regulation" within the framework of the regulatory theory. Had the institutional and the regulatory economics been combined in the discussion, new findings and a breakthrough would

have probably been resulted.

Secondly, about hypothesis posing and its validity.

In case studies, posing hypothesis and then testing it are the basis and the prerequisite for the generalization of cases, and are the main path of theoretical development and innovation. If an appropriate hypothesis which reflects the reality and is also easy being managed can be posed, the soul of a case story will be captured. By delving into the material collected and organizing it, furthermore, the facts can better be grasped and the story can better be depicted.

The illustration and the analysis of the empirical data thereafter is the test to the theory. In the test, the comparison between a theory and empirical data, and between one theory and another, has to be made regardless of whether one rejects, accepts the current theories or proposes a new theory. Moreover, not only does one have to illustrate why the current theories cannot explain the reality, but also has to offer his/her theoretical rationale behind the amendments and the new explanations.

Only in this way, new discoveries, progresses as well as innovativeness can be realized, and in turn, standard analyses and explanations can be produced. As a result, the appropriate policy implications which can also serve as the theoretical guidance in the process of the transition can be presented. To certain extent, therefore, the standard and the quality of case reporting are determined by whether an appropriate theoretical proposition or hypothesis can be posed.

According to the critique of the case studies in the first volume, a few points about how to pose the theoretical hypothesis which reflects the reality and is also easy to be managed can be summed up as

follows, 1) the analytical techniques and the cumulative theoretical economic knowledge so far have to be mastered. 2) it is the real world in which theoretical fallacies and contradictions are to be found. 3) In the process of story abstracting, the rejection done in the various parts of the story have to be in the apt manner which would enhance the actuality of the hypothesis rather than diminishing it. 4) it is necessary to further refine the analysis so that the hypothesis will be more compatible with the reality. With the due attention paid to the above points, a reasonably satisfactory hypothesis can then be raised.

In the first two phases of the case reports, some have explicitly posed own hypothesis and tested them, otherwise tested others. Most of these hypotheses are in accordance with the requirement of “reflecting the reality and being easily managed”. As a result, the relatively evident success has been obtained. On the other hand, there are still some that stop short of the requirement. Hence, more thought has to be poured into the matter. Here we will take a few examples to discuss.

After the peak of the early 90s' reform, China entered the period in which the formidable tasks were confronting the policy-makers. On one hand, the power centre was so stuck with the innovative ideas that the reform was in for the period of stalemate. On the other, the reform from below kept on deepening and created the situation where it became widespread throughout the nation. Against such a background, Yang Ruilong conducted his case report.

Through investigating and analysing the process of the establishment and the development of Kunshan Economic and Technolog-