

## **Enterprise Reform and China's Modernization**

**Jiangjun Li**

**Beijing University of Civil Engineering and Architecture**

**Shengyue Han**

**Beijing University of Civil Engineering and Architecture**

**Rui Liang**

**Beijing University of Civil Engineering and Architecture**

*In China's modernization, enterprises have experienced a complex process of change, which has promoted or restricted the process of China's modernization. From the perspective of government function adjustment; this chapter studies the enterprise transformation process in China's modernization from a historical perspective. It is found that although micro problems such as corporate governance and principal-agent are very important, they are only the second problem. The first problem should be the adjustment of government functions. The transformation practice of western countries has also proved the importance of flexible adjustment of government functions. In China, during the imperial period, enterprises in modern China did not develop due to the failure of government function adjustment. Thus, to catch up with and surpass the world powers, the new China after 1949 adopted a planned economic system, which is reasonable in the path. The Chinese government carried out the social transformation of market economy orientation after 1979. From then, the enterprises have become modern enterprises in the market economy. The findings of this chapter are of great significance to enhance the institutional innovation of enterprises and promote the process of China's modernization.*

*Keywords: decentralization, enterprise reform, government function, planned economic system*

### **INTRODUCTION**

As Madison (2007) pointed out, as early as the 10th century, China was already a prominent country in the world economy regarding per capita income, and it lasted until the 15th century. In terms of technology, the development and utilization of natural resources, and its vast territory's management ability, China has surpassed Europe. This kind of leadership in history is based on agricultural civilization. European countries gradually surpassed China in per capita income, technology, and scientific capacity with industrialization in the subsequent modernization process. The transcendence of China by western countries is closely related to the industrial revolution. In industrial society, the main organization undertaking the task of wealth creation is enterprise.

In the process of China's modernization, to make China strong again, the pursuit of strong industrial production capacity has always been the goal of Chinese people of insight. However, strong industrial

production capacity is realized by the organization of enterprises. Therefore, to study China's modernization process, we must study China's enterprise reform.

Modern enterprises originated in western countries. Therefore, the research results of western economists on enterprises need to be analyzed. In western countries, economists' researches on enterprises are as follows:

- **First, the scope of enterprises.** Coase (1937) argued that allocating resources through authority or command within the enterprise is remarkable. While in the market, resource allocation is carried out through the price mechanism. However, many long-term contractual relationships blur the boundary between the market and enterprises. It may be more useful to treat enterprises as special types of interrelated contracts (Klein et al. 1978). Enterprises adopt the multiproduct feature due to market failure and excess capacity (Teece 1982).
- **Second, employment relationships and internal organization.** Alchian and Demsetz (1972) argued that the essential feature of the enterprise is not the relationship under the control of authority but a contract organization or team nature. As the enterprise owner, the capitalist enjoys the residual claim, is the central employer and central contractor, and is the final supervisor of team production activities. Cheung (1983) reinterpreted Coase's enterprise theory. He argued that it is not entirely accurate to say that enterprises can replace the market. "It is exact to use one contract replaces another contract." The market has limitations in the qualification evaluation of employees within enterprises. Because the direct superior is familiar with the characteristics of employees, the hierarchical structure of enterprise employment relationships has advantages (Williamson et al., 2009).
- **Third, control of the enterprise.** Grossman and Hart (1986) noted that an enterprise is composed of assets owned or controlled by it. Ownership is control. The enterprise explained by neoclassical economics is only a cartoon of modern enterprises. The various methods used by economists to solve enterprise problems - neoclassical, principal-agent, transaction costs, contractual relationships and property rights seem to be integrating (Hart 1989). The continuous evolution of ownership arrangement aims to meet enterprises' need for capital, risk-taking and decision-making services. It reflects the needs of agency problems. Production workers have less control, which may be due to the limited wealth of workers and the need to diversify investment to reduce costs (Putterman 1993).

Can the research results of western economists explain enterprise reform in the process of China's modernization? The practice of each stage of market economy development in western countries has proved that adjusting government functions is an important prerequisite for the development of modern enterprises in the market economy. In the period of free competition, the restriction of royal power by the constitutional system led to the British Industrial Revolution and the emergence of modern enterprises. In the period of acute class opposition, it is precisely because of the government's legislation on the market and the establishment of the social welfare system that acute class opposition can be eased and modern enterprises can develop. During the monopoly period, the government's attack on monopoly made the market economy compete again, and modern enterprises developed further. After World War II, the government's comprehensive intervention brought the market economy back on track, western countries entered the rule of law stage, and modern enterprises grew. Therefore, adjusting government functions is the main reason for the smooth development of modern enterprises in western countries.

Looking back on the historical process of China's modernization, enterprises problems were not coming from themselves at the beginning but closely combined with the functions of the government. China's modern enterprises did not appear because of government function adjustment failure in China's Qing Dynasty. The gap between China and developed countries is becoming larger and larger. Therefore, the enterprise reform in China's modernization essentially adjusts government functions. Therefore, when studying the enterprise reform in China's modernization, we can and must choose to study it historically and dynamically from government function adjustment. Based on this logic, this chapter chooses to study the enterprise reform in China's modernization from government function adjustment.

## **REASONS FOR HINDERING THE GROWTH DURING THE IMPERIAL RULE**

Traditionally, China is a country based on agriculture, ruled by emperors who exercise power on behalf of the government. During the Qing Dynasty, there were three types of enterprises in China. They were royal enterprises, small handicrafts, and government-run enterprises during the Westernization Movement.

The government controlled the production of royal enterprises during the Chinese imperial dynasty. Salt, porcelain, and silk products were directly related to the consumption of the royal family. Their craftsmen were from military artisans, not the commodity economy. The existence of these official Enterprises was tightly linked with power, which could not stimulate the development of a market economy, but was an obstacle.

From the perspective of the small handicraft industry, the huge population has created a stable small-scale peasant economic structure and stabilized at a low equilibrium level. Due to the limitations of small-scale peasant economy in capital accumulation, its operation law is completely contrary to the capitalist market economy in western countries. The result can only be decapitalization, which further solidifies the structure of a small-scale peasant economy. Thus, small handicrafts can't develop into modern enterprises.

During the Westernization Movement, a group of enlightened officials represented by Zeng Guofan, Li Hongzhang, Zuo Zongtang and Zhang Zhidong established many modern enterprises run by the government more than 30 years since 1861. The earliest was the military industry and then established new civil enterprises in the forms of "official run," "official supervised commercial run," and "official commercial run," of which "official supervised commercial run" is the main form. These enterprises used hired labor and introduced machinery, equipment and technology from developed countries. They are different from the official enterprises in feudal society. They are the earliest modern enterprises in China. However, these enterprises are subject to the supervision and control of the government and have no autonomy. They follow the habits of feudal yamen bureaucrats in the internal management system. The enterprises are full of overstaffing, corruption and so on, resulting in low production efficiency. In addition, in terms of firm governance structure, in the official supervised commercial enterprises, the decision-making power, supervision power and personnel appointment and removal power are concentrated in the hands of the government, and the commercial shareholders are in a weak position. In such enterprises, the contradiction between officials and business people is the major problem. Ordinary business people often have scruples when investing in such enterprises. The emerging enterprises in the Westernization Movement had the characteristics of the capitalist market economy. Therefore, these enterprises belong to the new enterprise form. However, bureaucratic vices have profoundly affected these new ventures in terms of business results. The economic effect of enterprises, therefore, is very poor. Many of them cannot last for a few years. So such enterprises are not modern enterprises in essence.

In sum, in the imperial period, the bureaucratic system under the emperor's rule constituted a solid system, which firmly bound the development of the modern market economy and hindered the growth of modern enterprises. Under the constraints of this system, due to the lack of government function adjustment, small handicrafts could not grow into modern enterprises. The official enterprises of the westernization movement could not evolve into modern enterprises.

## **ENTERPRISES IN THE PERIOD OF THE REPUBLIC OF CHINA**

During the Republic of China (1912-1948), from the Beiyang government, which was the first Chinese government recognized internationally after the fall of the Qing Dynasty to the Kuomintang of China (KMT), which was founded in 1894 by Sun Yat-sen, it began a difficult exploration process under the chaos of internal and external difficulties. The transformation of enterprises is carried out in both government-run enterprises and private enterprises.

### **The Dilemma of Government-Run Enterprises**

With the change of the Beiyang government and the Kuomintang, the ownership of some government-run enterprises established during the Westernization Movement also changed, such as China Merchants

Shipping Group and Daqing Bank (reorganized into the Bank of China during the Kaiyuan Period). The owners changed several times, but they had a close relationship with the regimes in various periods. In terms of property rights, the property rights of these State-Owned enterprises are vague, and the responsibilities of shareholders, boards of directors and managers are not clear. The change of government has a significant impact on the enterprises. It also affects the sustainability of the development policies of state-owned enterprises.

In the Republic of China, the power of the warlord government was higher than the rules of the market economy. Therefore, political power is higher than private property rights in market transactions. When the government nationalizes private enterprises, it is often not based on negotiation. Still, it uses power to set prices unilaterally. The price is lower than the market price, resulting in damage to the interests of private shareholders and no protection of private property rights.

There is no effective supervision and restriction mechanism regarding enterprise governance structure, and rent-seeking activities and insider control are intertwined. It means that the enterprises lack an effective governance structure. In essence, these state-owned enterprises are not modern enterprises.

### **The Plight of Private Enterprises**

During the period of the Republic of China, wars continued. As far as the government is concerned, the warlord government changes frequently, the situation is turbulent, and thus there is a lack of the most basic market economic order. In this context, the development of private enterprises is very difficult. However, many excellent private enterprises and entrepreneurs have arisen even in this dilemma. For example, Jian Zhang's Dasheng cotton mill, the Jane brothers' Nanyang Tobacco Company, the Rong family's flour processing, Xudong Fan's Jiuda and Yongli salt and alkali industry are all representatives of China's national capital class. However, in the environment of the Japanese invasion, bureaucratic plunder and banditry later, the market order was chaotic, and these private enterprises were very difficult.

As far as the consumer market is concerned, the social security system has not been established in extensive rural areas due to the absence of government functions. As the main means of production of agricultural society, possession of land is unequal. Coupled with the impact of disasters, war and inflation, the output value and income fluctuate violently. They can only barely make a living and have no surplus to deal with frequent accidents. Therefore, the consumer market is very limited. Under the dilemma of foreign invasion, people's livelihood declined due to the constant war. As such, neither government-run enterprises nor private enterprises could obtain sufficient development space.

### **“DECENTRALIZATION” DURING THE PLANNED ECONOMY PERIOD**

Although the country achieved independence and sovereign integrity after the founding of New China in 1949, the international situation was still very severe. The key to the survival of New China is whether the military industry can be built quickly.

The rapid construction of the military industry is inseparable from advanced scientific and technological strength and financial strength, and a large number of talents. Under the long-term imperial rule and in successive years of wars, the People's Republic of China was very poor and lacked technical talents. Based on these objective realities, China chose the Soviet planning system. In 1953, the general line for the transitional period was proposed. It was planned to take 15 years. But in fact, it took less than three years to realize the socialist transformation of private capitalist industry and commerce and establish a planned economic system in an all-around way. At this time, enterprises have become appendages of government plans and have lost their independence.

After establishing a planned economic system based on state ownership, the Chinese government has not stopped exploring the construction of state-owned enterprises. From 1958 to 1976, the key content of the reform was to try to adjust power and interests among governments at all levels while maintaining the resources allocated by administrative orders. For example, the decentralization of power in the 1958 economic management system includes planning power, corporate jurisdiction, material distribution power, capital construction project approval power, investment and credit management power, fiscal and tax

power, labor-management power, etc. The Chinese government has appropriately taken some measures to delegate power to enterprises. However, various localities and units competed for resources and worked separately, the production order was in chaos, and economic efficiency fell sharply. At the end of 1958, many industrial and commercial enterprises fell into losses, and the economy encountered serious difficulties. As a result, in the early 1960s, the central government re-established a highly centralized system. Although the economy was stabilized and restored, the drawbacks of the centralized planned economic system reappeared, and it was compelled to carry out reforms again. In 1970, the system was “decentralized” again, and the economy repeated the situation in 1958. After 1971, the central government once again centralized power. The past 20 years have proved to be a mess when released and death when withdrawn. Under the planned economy system, China abolished the market economy, and enterprises became the executive units of government plans without autonomy. Because there is no market competition, there is no sufficient information index that can accurately reflect the enterprise’s business performance. Judging from the practice results, under this kind of institutional arrangement without autonomy, the biggest shortcoming of state-owned enterprises is the lack of incentives for innovative activities. Although China has successfully developed the “two bombs and one satellite award,” it is only limited to the strategic industries that the country focuses on during that time. Meanwhile, the patriotic passion of scientific researchers is also the reason for their selfless dedication. As for most civilian industries, such as color TVs, motorcycles, automobiles and other industries, during the planned economy period, the gap between China and developed countries is getting wider and wider.

The planned economy allocates resources through administrative orders and essentially requires centralized power. If power is decentralized, the enthusiasm of lower-level governments can be mobilized in the short term. However, decentralization soon exposed the drawbacks of not only harming the unification of government orders but also promoting local protectionism, forming a “princely economy.” Therefore, the best way is to carry out market-oriented reform and establish a market economic system in which the market plays a fundamental role in allocating resources.

## **CHANGES IN THE CORPORATE SYSTEM AFTER REFORM AND OPENING-UP**

After the reform and opening up, the reform of China’s state-owned enterprises evaded ownership for a long period. It did not touch the original ownership system, called the “delegating power and transferring profits” stage.

### **Expand Enterprise Autonomy (1978-1992)**

Following the reform direction proposed at the Third Plenary Session of the eleventh Central Committee, the Chinese government has promoted expanding operational autonomy pilot projects. It is contracting with increasing profits, profit reform and taxation, and contract management responsibility system, to adjust the responsibilities, rights and relations between the state and enterprises. This reform is carried out within the framework of not changing the original ownership, and it is only an adjustment of interests between the government and enterprises. Decentralization of power and transfer of interests have aroused the enthusiasm of enterprises and employees in production and operation. It enhances the vitality of enterprises and lays a preliminary foundation for enterprises to enter the market. However, serious negative problems have also emerged. For example, during implementing the contracting and leasing system, the situation of enterprise efficiency, economic growth, and decline in national fiscal revenue appeared, which aroused reflections from all walks of life.

In contracting and leasing, the state and enterprises have an unequal contractual relationship, and the government has insufficient information. In addition, the cost of one-to-one negotiation between the government and the enterprise is very high, and it is impossible to stipulate the details of the contract and lease contract one by one. Thus, business operators can pursue the maximization of their interests legally or illegally under contracting and leasing rights, disregarding the state’s interests. These opportunistic behaviors are difficult for the government to restrain. From the perspective of business incentives, enterprises only bear profits but not losses, which reduce the national fiscal revenue and cause the short-

term behavior of contractors and leasers. Even if a corresponding supervisory agency is established, the administrative cost is very high.

According to the theory of property rights, decentralization and profit distribution will adjust the residual control rights. It will also adjust the creditor's rights of the state and enterprises. In the residual control power aspect, although the state has increased the power of corporate leaders, it still maintains control over the major investment in companies and personnel matters through relevant departments. On the other hand, from the point of view of residual claim rights, since corporate leaders have not made equity investment, so as for capital investment, corporate leaders can only "gain profits" and not "take losses." Only the owners and banks of the company can "take a loss." And for the company leaders, only the level of their bonuses will be affected.

Furthermore, in terms of effect, the "delegating power and transferring profits" has re-adjusted property rights between the state and enterprises to a certain extent and improved the incentive effect under the planned economy system. And in terms of business decision-making, because enterprise leaders have a certain degree of autonomy, the efficiency of firms has improved in a certain period. However, the reform of delegating powers and transferring profits did not change the basic system of state-owned enterprises. It could not effectively solve many of the deep-seated problems related to the system of state-owned enterprises. In the end, it entered an unexpected dilemma: "decentralization" has led to the phenomenon of corporate leaders' departmentalism and "inside control," then to change these negative phenomena, the relevant government departments have to strengthen the control of enterprises, which is in contradiction with the policy orientation of "decentralization."

### **System Innovation Stage (1992–2002)**

The dilemma of reforms is evident from the operating performance of state-owned enterprises, whose profits continued to decline in the 1990s, with one-third profits, one-third losses, and one-third false profits with actual losses (Chang et al., 2018). In the face of this situation, the reform of state-owned enterprises has reached a time of "no making without breaking." Further study on the causes of state-owned enterprises' losses has been carried out. It finds out that the losses between 1989 and 1994 were related to macroeconomic contraction at home and abroad, not just state-owned enterprises operations. However, after 1994, the economic situation improved, but they still suffered losses in general and even worsened year by year. The macroeconomy causes it, but the fundamental reason should be institutional arrangements.

A series of highly innovative achievements on state-owned enterprise reforms emerged in large numbers. Meanwhile, many theories were put forward during this period, such as the shareholding system, classification reform, property rights reform, human capital property rights, and market competition theory, etc. Specifically, the classification reform and property rights reform argue that state-owned enterprises withdraw from competitive fields, while competition theory emphasizes the importance of market competition. From the international background, the trend of privatization of state-owned enterprises since the 1990s has significantly impacted the reform theory of Chinese state-owned enterprises (Lin 2021; Kwon and Kim, 2017; Chen et al. 2014; Hovey, Martin & Naughton, 2006). Therefore, the reform idea of advocating privatization prevailed before 2002.

In a market economy, a modern enterprise combines a set of contracts, stipulating a distribution of stakeholders' interests. Among them, ownership of equity is one of the key contracts. Although the concept of shareholder interest is challenged, equity is still the main basis for determining the residual claim and control of the enterprise in practice. In the last decade of the 20th century, property rights reforms were blustery. Starting from the "Zhucheng model," many state-owned small and middle-sized enterprises have carried out ownership reform, and "enterprise reform" has been put on the agenda. Ownership reform is an objective choice when state-owned enterprises face severe situations. "Decentralization of benefits" is no longer effective. Before 2000, the reformation was dominated by small and medium-sized enterprises (SMEs). And they gradually turned into large enterprises after 2000. As of the 16th National Congress of the Communist Party of China in 2002, more than 80% of China's state-owned SMEs had completed their restructuring and turned into private enterprises. After privatization, the government no longer had any

property rights related to these enterprises, and the government gave the ownership and profit rights to the market.

### **Comprehensively Deepening Reform Stage (2003–2021)**

In practice, this movement of state-owned property rights transactions and the entry of a private economy have aroused great debate. This completely privatized state-owned enterprise reformatting was suppressed after 2004. To solve the problem of the absence of owners, the Chinese government established the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) in 2003. It can be seen as a special case starting from the reform of the enterprise management system to solve the problem of the reform of state-owned enterprises.

Under the leadership of the SASAC, although the reformatting of state-owned enterprises is still in progress, it is partly private with diversified property rights. Promoting the listing of large and medium-sized state-owned enterprises through the capital market has become the main form. In addition, the corporate governance structure of state-owned enterprises has been gradually improved. A mechanism has been established whereby shareholders' meetings, boards of directors, supervisors, and managers assume their respective responsibilities, coordinate their operations, and effectively check and balance the operations.

With the reform of state-owned enterprises, private enterprises have developed rapidly. It starts to occupy an important position in China's national economy. In 2018, President Xi Jinping stressed that the private economy has the characteristics of "5679", that is, the private economy contributes more than 50 percent of tax revenue, more than 60 percent of GDP, more than 70 percent of technological innovation, and more than 80 percent of urban labor employment. In other words, the private economy has become the main field of entrepreneurship and employment, an important source of technological innovation, and a crucial source of national taxation.

Both state-owned and private enterprises are important foundations for China's economic and social development and should be treated equally. In most sectors of the national economy, state-owned and private enterprises will face each other, compete, cooperate, and even merge. In this situation, the government proposed vigorously developing a mixed-ownership economy involving state-owned capital and non-public capital in 2013. The integration of state-owned and private enterprises is still in constant exploration at present. It is the same relationship between the State-owned Assets Supervision and Administration Commission and state-owned enterprises. It reflects that there is still uncertainty in the definition between government functions and the market mechanism.

## **BASIC EXPERIENCE OF CHINESE ENTERPRISE REFORM**

This chapter focused on revealing historical and practical logic based on government function adjustment, summarized the historical experience and shortcomings in the development and transformation of enterprises in China's modernization, and attached importance to the grasp and refinement of ownership reform government-enterprise relations. The results provide an empirical basis for the reformation of Chinese enterprise systems and the comprehensive construction of socialist modernization in the new era. Through summarizing and combing, it is found that: Firstly, government function adjustment has a fundamental role in promoting or inhibiting enterprise transformation. Whether it was the transition from an agricultural society to an industrial society or from a planned economic system to a market economic system, it is precise because of government function adjustment failure that modern Chinese enterprises have not developed. Secondly, to change the status quo of backwardness and achieve catch-up, the People's Republic of China adopted a planned economic system that sacrificed the independence of enterprises.

The system has a certain degree of rationality which realized the emergence of agriculture, industry, and transportation and thus laid a solid foundation for the advancement of modernization. However, the planned economy system regards the enterprise as an adjunct of the administrative department. It leads to the problems of insufficient power and vitality of the enterprise system. Therefore, after 1979, to improve the innovation enthusiasm of enterprises, the Chinese government carried out the social transformation

toward the market economy. The state-owned enterprises' reform has shifted from decentralization to institutional innovation in this process. Since modern times, with the building of a well-off society in an all-around way, China has embarked on a new journey of building a modern socialist country in an all-around way. The enterprise also makes up the system defect in the management mechanism unceasingly. It truly becomes the modern enterprise in the market economy.

The world today is undergoing major changes in a century. It is necessary to have both a sense of risk and anxiety and historical opportunity. The novel Coronavirus disease, the global economic recession, the rise of unilateralism and protectionism not only mean that we must seize the opportunities of the new scientific and technological revolution and the rapid development of industrial reform. Thus, firstly, it is important to enhance Chinese society's transformation process further and build a high-level socialist market economy system. In particular, it is necessary to vigorously improve the level of the rule of law in the market economy and promote the transformation of the government's market role by further improving the rules and regulations and establishing a relevant legislative evaluation mechanism to create a legalized business environment.

Secondly, improve the socialist market economic system and strive to achieve the optimal allocation of resources. Make full use of the domestic and international markets and resources, and accelerate the construction of a new development pattern in which the big domestic cycle is the main body. The domestic and international double cycles promote each other. Give full play to integration and synergy, and actively promote the comprehensive docking of the consumer Internet and the industrial Internet.

Thirdly, actively develop the mixed-ownership economy. Explore a corporate governance mechanism in which capitals of different natures can be deeply integrated and realize fair competition and common development between the state-owned and private economies. Create more and more large Chinese enterprises with international competitiveness.

Finally, speed up the construction of science and technology power, realize high-level scientific and technological self-reliance, and enhance the overall effectiveness of the national innovation system. The forerunner of the fourth wave of the industrial revolution represented by intelligence and deep learning has arrived. Enterprises must accelerate their pace of adapting to the industrial revolution, enhance their competitiveness in artificial intelligence, green manufacturing, and big data security for modernization, and provide innovation momentum for modernization.

## REFERENCES

- Alchian, A.A., & Demsetz, H. (1972). Production, information costs, and economic organization. *IEEE Engineering Management Review*, 62(2), 777–795. Retrieved from <https://www.jstor.org/stable/1815199>
- Chang, X.Z., Chang, X., Wen, Z.Y., Yu, J.G., Chen, Y.J., & Li, D.W. (2018). *Ownership reform and innovation-40 years of reform of China's ownership structure*. China: Guangdong Economic Publishing House.
- Chen, C.J.P., Du, J., & Su, X. (2014). A game of accounting numbers in asset pricing: Evidence from the privatization of state-owned enterprises. *Journal of Contemporary Accounting & Economics*, 10(2). doi: 10.1016/j.jcae.2014.05.001
- Cheung, S. (1983). The contractual nature of the firm. *Journal of Law and Economics*, 26(1). Retrieved from [https://www.jstor.org/stable/725182?seq=1#metadata\\_info\\_tab\\_contents](https://www.jstor.org/stable/725182?seq=1#metadata_info_tab_contents)
- Coase, R.H. (1937). The nature of the firm. *Economica*, 4(16), 386–405.
- Grossman, S.J., & Hart, O.D. (1986). The costs and benefits of ownership: A theory of vertical and lateral integration. *Journal of Political Economy*, 94(4), 691–719.
- Hart, O. (1989). An economist's perspective on the theory of the firm. *Columbia Law Review*, 89(7), 1757–1774.
- Klein, B., Crawford, R.G., & Alchian, A.A. (1978). Vertical integration, appropriable rents, and the competitive contracting process. *Journal of Law & Economics*, 21(2), 297–326.



- Maddison, A. (2007). *Chinese Economic Performance in the Long Run, 960-2030 AD, Second Edition, Revised and Updated*. OECD.
- Hovey, M., & Naughton, T. (2006). A survey of enterprise reforms in China: The way forward. *Economic Systems*, 31(2). doi: 10.1016/j.ecosys.2006.09.001
- Putterman, L. (1993). Ownership and the nature of the firm. *Journal of Comparative Economics*, 17(2), 243–263.
- Kwon, S-H., & Kim, J. (2017). Efficiency Versus Public Good: Electricity Privatization in South Korea. *Asian Perspective*, 41(2). Retrieved from <https://muse.jhu.edu/article/713787>
- Teece, D.J. (1982). Towards an economic theory of the multiproduct firm. *Journal of Economic Behavior & Organization*, 3(1), 39–63.
- Williamson, O., Wachter, M., & Harris, J. (2009). *The economic nature of the firm: Understanding the employment relation: The analysis of idiosyncratic exchange*. Cambridge: Cambridge University Press.