

The Antecedents of Restructuring of Regulatory Agencies: An Empirical Study of Prefecture-Level Food Regulation Departments in China

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This study was generously supported by “the Fundamental Research Funds for the Central Universities” (project ID: 2019NTSS36).

ABSTRACT

Government reform is static and dynamic. Government reform can easily spread. However, it is not a universal phenomenon, as some local governments refuse to adopt new agencies, while others are willing to do so. This situation raises a question: what factors contribute to the acceptance of reform by a government and for that government to adopt agency reconstruction? This study is based on the observation of the reconstruction of China food regulatory agencies in 333 prefecture-level cities to see whether they adopted the type of unified regulatory department that Shenzhen had already adopted. The regression result reveals that having a relatively small food market, more regulatory resources, and pressure from surrounding cities are positively correlated with adoption of the reform, which indicates that such areas tend to accept reform. The final part of this paper addresses these three factors in detail, arguing that economic competition and bureaucracy may play a major role in promoting the acceptance and adoption of reform, and provides possible policy suggestions.

Keywords: food regulation, government innovation diffusion, institutional reform

Los antecedentes de la reestructuración de las agencias reguladoras: Un estudio empírico de los departamentos de regulación de alimentos a nivel de prefectura en China

RESUMEN

La reforma del gobierno es estática y dinámica. La reforma del gobierno puede extenderse fácilmente. Sin embargo, no es un fenómeno universal, ya que algunos gobiernos locales se niegan a adoptar nuevas agencias, mientras que otros están dispuestos a hacerlo. Esta situación plantea una pregunta: ¿qué factores contribuyen a la aceptación de la reforma por parte de un gobierno y para que ese gobierno adopte la reconstrucción de la agencia? Este estudio se basa en la observación de la reconstrucción de las agencias reguladoras de alimentos de China en 333 ciudades de nivel de prefectura para ver si adoptaron el tipo de departamento regulatorio unificado que Shenzhen ya había adoptado. El resultado de la regresión revela que tener un mercado de alimentos relativamente pequeño, más recursos regulatorios y la presión de las ciudades vecinas se correlacionan positivamente con la adopción de la reforma, lo que indica que dichas áreas tienden a aceptar la reforma. La parte final de este documento aborda estos tres factores en detalle, argumentando que la competencia económica y la burocracia pueden desempeñar un papel importante en la promoción de la aceptación y adopción de la reforma, y proporciona posibles sugerencias de políticas.

Palabras clave: regulación alimentaria, difusión de innovación gubernamental, reforma institucional

监管机构重组的动因：基于中国地级食品安全监管部门改革的实证研究

摘要

政府创新兼具静态和动态的特点。一地政府创新往往会在横向扩散，但是有些政府会接受这一创新扩散，而另一些则会持观望态度。这就提出一个值得关注的问题：哪些因素有助于政府接受创新扩散，并开展机构重建？本文以2013年我国开展的食品安全监管机构改革为例，以333个地级行政单位

为观察对象，探讨各地接受采用深圳首创的综合性市场监管机构这一政府机构创新扩散的原因。研究发现，相对市场规模较小、资源丰富的监管部门和同级政府的压力有助于一地政府接受创新扩散。本文最后对这三个因素的影响作用进行了深入讨论，认为经济发展竞争和官僚体制压力在推动改革方面发挥主要作用，并提出了相应的政策建议。

关键词：食品监管，政府创新扩散，机构改革

1. Introduction

The institution and mechanisms of regulatory departments are not always static; departments need to reform in order to improve government performance. People's livelihoods are the latest focus of governmental performance in contemporary China. Food safety is highly related to people's livelihoods. In recent years, China has carried out food safety regulation system reform many times, and has continued to increase regulatory capacity, leading to the improvement of food regulation. However, there are lots of problems in the current regulation systems, such as insufficient food regulation responsibilities, overlapping regulation functions, regulatory resource allocation ineffectiveness, low administrative efficiency in policymaking, and implementation. These problems have resulted in serious food scandals and will lead to new requirements for further reform. Only with the constant reform of government institutions and mechanisms can we improve the performance of the government and its food safety regulations.

In March 2013, the China Food and Drug Administration (CFDA) was founded. In April 2013, the State Council announced its "State Council Guidance on Local Food and Drug Regulation System Reform" (hereinafter referred to as "Guidance"), initiating a new round of reforms. According to the "Guidance," the main direction of local food regulatory system reform is to integrate food safety regulation functions of other related departments, such as the administration of industry and commerce, quality supervision, inspection and quarantine, and so on. The local food and drug regulation administration authorities carry out unified regulation of the food safety of production, circulation, and consumption. The local government is also responsible for overall food safety regulations. This model was first seen in 2009 in Shenzhen; it is called the Market and Quality Supervision Bureau, which has become a model of regulatory institution reconstruction.

In the brief of the regional announcement of the San Ding (Institution Main Function, Departments Setting, and Staff Quota) project, food

safety regulatory agencies behave differently. In some areas, there are no major changes for the regulation agencies, while some areas have established a kind of food regulatory agency that integrates industry and commerce, quality supervision, and other food safety-related function departments, similar to the Shenzhen Market and Quality Supervision Bureau (MQSB), a so-called “N in 1” integrated market regulation agency, which has become the innovation point of the last round of reform. Some studies suggest that, under such an administrative system in China, pressures from a higher level of government, such as economic evaluation and personnel appointment, will result in the lower level government innovating; thus, innovation at lower levels is only a result of pressure from higher levels of government (Heilmann 2008; Shirk 1993; Zhu 2014). However, China cannot be simply regarded as a unitary system. Local autonomy has been increasing due to decentralization since the 1980s, leading to the distortion and flexibility of policy implementation (Montinola, Qian, and Weingast 1996; Walder 1994). Meanwhile, local governments resist centralization by the central government, indicating local governments’ interests have priority over the central government’s interests under certain circumstances.

In fact, in the latest round of reform, the majority of administrative

units at the central and provincial levels¹ did not establish unified market regulation agencies, but some prefecture-level units modeled market regulation bureaus after Shenzhen’s bureau in order to reform the food regulation system. Why did they accept this reform and adopt this model? Why did others not adopt such a model? The reasons for this difference is worth investigating.

This study focuses on the food regulatory system reform carried out in 2013 and chooses the food and drug regulatory administration in all 333 prefecture-level administrative units² as the observation objects, looking for possible antecedents that lead each government to accept the reform and adopt the agency reconstruction, a kind of unified regulatory authority. Based on the antecedents revealed, this study also provides policy advice to promote future reforms of food safety agencies and other government agencies in order to encourage adoption of the reform.

2. Literature Review and Hypothesis

Government institutional reform and reconstruction is one kind of government innovation. Government innovations not only entail the creation of new institutions from scratch; the most commonly accepted definition of innovation is given

1 Tianjin has adopted the unified market regulatory system; however, it is a municipality without the jurisdiction of prefecture administrative units, such as prefecture cities, areas, or autonomous ethnic states.

2 In February 2015, the State Council agreed to set up a new prefecture level city, Danzhou. Thus, the total number of China’s prefecture-level cities is 334. When this study started in 2013, this city was not yet a prefecture-level city, and is therefore excluded from the study.

by Walker (1969): “as long as a certain policy or project is new to the organization (whether it has been applied in other fields and aspects or not), it can be considered as an innovation.” It is possible for government institutional reform to spread throughout a region. This spread involves the dissemination of an innovation within the government system over time, whereby other governments in other regions adopt the innovation (Roger 2003; Shipan and Volden 2012). This process happens within regions or countries and the innovation can involve administrative projects, services, institutions, or policies (Boehmke and Witme 2004). In this sense, the spread of policy innovation is a kind of government innovation diffusion. In this study, the National Food Safety Committee, which serves as a coordinating committee led by the vice premier, makes policy requiring local governments to reform and encourages them to adopt a unified market regulation agency like the one that first appeared in Shenzhen in 2009. By the last round of reform, this type of institution had appeared in other areas, which involved reform and policy diffusion, leading to the adoption of this reform. Since this type of agency is not applied at provincial-level administrative units with jurisdiction over prefectures, this study only discusses the horizontal spread of reform that may be related to the adoption of agency reconstruction. However, it does not always go well and local government will consider relevant factors and decide whether to accept such a reform policy.

Governmental reconstruction of food safety regulation contains various ways and types, such as **process reconstruction** and **institutional reconstruction**. In this study, we mainly focus on institutional reconstruction, and the main purpose of the 2013 reform reconstruction was to realize the integration of food regulation function of related departments, in which “N in 1” served as the mainstream modality to conduct such reconstruction of food safety regulation. Indeed, MQSB, as mentioned above, is not the whole story, but as this paper indicates, “2 in 1” and “3 in 1” were employed in reconstructing the food safety department in order to integrate the regulation function. In conclusion, based on function integration, food safety regulation reconstruction does not only mean the reconstruction of the internal process within the food safety regulation department itself, but also involves the reconstruction of multiple regulation departments. Due to the 2013 reform and the puzzle about central-local relations, this paper chooses “N in 1” as the measurement to indicate government reconstruction.

2.1. Literature Review

2.1.1. Literature Review on the Adoption of Government Agency Reform

Since the 1980s, the New Public Management Movement has focused on re-inventing the government. Aside from tools and process, institutional reform and system reform are the most crucial to government reform and reinvention. Scholars argue that the reasons for the

adoption of government reform are as follows. (1) Serious problems and scandals have occurred in related policy areas and cannot be solved by reform alone (Gray 1973; Nice 1994; Savage 1978; Walker 1969). (2) The greater the commitment by the central or federal government, the more likely local governments are to reform (Sapat 2004). (3) Government capacity also influences the adoption of reform, such as technology (Wilson 1989) and financial support (Williams and Matheny 1984; Ringquist 1993). (4) Although interest groups are not part of the administrative branch, they can affect the adoption of government reform via the legislature (Bernstein 1955; Gray and Lowery 1996; Peltzman 1974; Stigler 1971). (5) If more officials support liberalism, the government is more likely to adopt innovation and reconstruct its system. Further, if liberal voters make up the majority of the country, the government will be more likely to conduct regulatory reform (Brudney, Hebert, and Wright 1999; Hedge and Scicchitano 1995). However, divergence in ideology between legislators and executives hamper the adoption of reform (Lavertu, Lewis, and Moynihan 2013). The environment and formal or informal processes also affect the adoption of government reform (Robert et al. 2017).

2.1.2. Possible Influential Factors of Horizontal Government Innovation Diffusion

Government reform and agency reconstruction is not only a static process, but also a dynamic one. Government

innovation diffusion provides the main field to study innovation adoption factors. Governments at the same level frequently learn from each other and enact the same government policy (Berry 1994a). New institutionalism argues that social pressure from the same level of organization may force an organization to imitate other organizations (DiMaggio and Powell 1983). But this point only illustrates parts of the motivation for government policy spread. Government reform and its diffusion process are very complex; integrated multi-disciplinary perspectives must be employed in order to understand how government innovations spread (Crossan and Apaydin 2010). Research on the factors that affect the process and speed of the spread of government reform is mainly focused on institutional theory and public policy theory. At present, research on the factors influencing the adoption of government reform is mainly divided into two parts. On one hand, some inner government factors, such as government size, leadership, structure, and resources, affect the spread of the adoption of government reform. On the other hand, economic and social development and the interaction between the government and external society also affect the diffusion of government reform, and whether a government adopts the reconstruction (Rogers 2003).

(1) Possible Factors of the Acceptance of Government Reform

As mentioned above, government institutional reform and reconstruction is one kind of government innovation,

and we employ the analysis framework of government innovation to recognize government reform and reconstruction. The general analysis model of innovation diffusion within government was founded by F. S. Berry and W. D. Berry. Berry and Berry (1999) combine multi-disciplinary perspectives and build a model of government innovation diffusion that explains the spread from four dimensions: active learning, competitive pressures, superior norms, and citizen pressure. This framework is similar to the strategic framework for government decision-making factors established by Moore (1997), containing colleagues, competitors, direct leaders, citizens, and external environmental factors.

The studies of specific factors are very rich. Based on the above model, Berry (1994a) noted that different resource mobilization capacity may lead to different rates of government innovation adoption. Sahlin-Andersson (2001) notes that international pressure among nation-states and their administrative structures affect the use of new public management tools. Lee et al. (2011) argue that the initiative to learn from each other is an important factor in promoting the development of e-government and causing the spread of innovation. Walker, Avellaneda, and Berry (2011) observe local government innovation in the UK and state that diffusion results from electoral pressure and local competition to obtain economic resources. Fabrizio (2012) considers a regulatory impact analysis in the European Union and the Organization for Economic Cooperation and

Development. Members are primarily based on their national administrative capacity, government expenditure, promotion from supra-national organizations, and administrative culture.

A related study found that if several governments are geographically close, have similar economic and societal development levels and political systems, and enjoy similar administrative cultures, the innovation from one government will spread quickly (Volden 2006). This spread is more obvious if they share a geographical border; countries are more receptive to innovation diffusion from neighboring areas (Boehmke and Witmer 2004). In addition, as a kind of specific form of government innovation diffusion, policy innovation diffusion is caused by four factors: active learning, international community acceptance, international treaty implementation, and political coercion (Cainey 2012). Berry (1994b) also notes that resources that the government mobilizes toward the policy affect the speed and depth of the spread. There are many policy diffusion models, such as the national government interaction model, the regional diffusion model, the leaders-follow-up model, and the vertical impact model.

(2) Antecedents of Government Reform Acceptance in China

The study of horizontal spread of reform within the Chinese government suggests that the reason for horizontal diffusion of local reform in China is different from that in western countries. External factors are the main motivation for the Chinese government to

carry out government reform; to accept the spread of reform, such as the development of a socialist market economy; to develop information and technology with the globalization; to enact political civilization; etc. (Zhang 2004). In addition, a reduction in government costs also can induce the adoption of government innovation; the purpose of this process is to strengthen local economic development (Liu 2003).

From a specific case study, Yang (2006) argues that the diffusion of innovation from the Administrative Center in China is consistent with an S-type curve. Based on a series of studies on the Administrative Center, the new government form, Zhuo and Chen (2015) note that the effect of institutional environment on innovation and diffusion is much greater than expected in China, and such diffusion presents a ladder-like status. Chien (2008) writes that the isomorphism of the economic development zone is mainly due to top-down government encouragement and the fact that governments at the same level learn from each other. From the perspective of the land storage system, the preferences of higher-level government, competitive pressures at the same level of government, and public concerns have become the major causes of diffusion of innovation at the same governmental level (Zhang 2012). Ma (2014) analyzes government microblogging, a kind of government information release tool, and thinks that competition between governments is the main reason for accelerating the spread of government microblogging. At the same time, financial support, infor-

mation technology, the level of urban economic development, and the population affect the diffusion of innovation. Other relevant Chinese studies suggest that the main driving force behind the spread of reform among local governments is striving for essential elements of local development, such as labor, capital, and other resources, attracting the attention of higher-level governments, economic activity, and the promotion of local officials (Oates 1999).

In summary, current research on the spread of government reform and innovation adoption is very rich. Especially since the New Public Management Movement, a variety of new government governance tools have been applied to administrative activities. The academic community is especially concerned with their spread. However, government innovation, reform, and diffusion are composed of four aspects: project, service, policy, and system. The research listed above mainly focuses on specific projects, tools, and policies, but there are few examples of government institution reform and innovation. It is difficult to observe, which can account for the lack of studies. As institutional reform is more complex, factors that can be applied to innovations, such as tools and policies, may not explain the spread of institutional reform. The horizontal diffusion of local reform innovation in China is mainly caused by the preference of higher authorities, rather than election pressure (Wang 2009), which is different from this study's preliminary observation. Therefore, government acceptance and adoption of the reform can be improved and updated.

2.2. Assumptions regarding Institutional Change and the Adoption of Government Agency Reconstruction

Institutional theory provides the main framework for studying governmental reform. Therefore, this article introduces institutional change theory as an influential factor in the adoption of government agency reform in order to formulate a theoretical framework. There are many reasons for institutional change in the research. (1) Constitutional and other normative institutional change must be carried out under the constitutional order. (2) Technology is regarded as a reason to promote dynamic economic growth and institutional change, and institutional change is determined by technological developments. It should be noted that technology includes production relations. (3) The political elites' attention, interests, and concerns affect the supply of institutional change; this effect is particularly evident in a totalitarian and authoritarian state. (4) Economic growth is considered to promote institutional change. (5) The system involves self-circulating accumulation and a path-dependent effect (North 1990; Ostrom, Feeny, and Picht 1988).

For institutions as a system, not only do certain demands exist in their production and change, but also a certain system of supply helps organizations find the direction of institutional change. Thus, although the traditional institutional change is analyzed from an economic perspective, it also provides a basic framework for administrative

analysis. This paper summarizes the influential factors of institutional change, government reform, and innovation from previous studies, which are divided into two aspects: institutional demand and institutional supply. Therefore, the hypotheses are as follows.

2.2.1. Hypotheses regarding the Institutional Demand for the Adoption of Food Safety Regulatory Agency Reconstruction

H₁: The higher the level of economic development, the more likely it is that the government will reform food safety regulations.

Institutional changes are caused by economic development. Institutions include service suppliers with economic values, an endogenous variable in economics, which will change as a reaction to the growth of the economy (Tolbert, Mossberger, and McNeal 2008). Specifically, we hypothesize that the higher the level of the economic development of a region, the higher the requirements and desire of the citizens for a better environment will be. Thus, the likelihood of enhancing regulatory efficiency by undergoing regulatory reform will also be higher.

H₂: The larger the relative size of the food market, the more likely it is that the government will reform food safety regulations.

Changes in the size of the market can affect the benefits and costs of a particular institutional arrangement. Although this argument derives from economics

in order to explain the effect of market size on institutional changes, it also can be applied to the field of public administration. Changes in the institutional environment, such as relative market size, can result in changes in the pattern of interests or income among economic entities or action groups. As discussed above, local government may make self-interested decisions. Under such circumstances, “if the expected net benefit of the action group exceeds the expected cost, an institutional arrangement will be innovative”; i.e., institutional change will occur (Davis et al. 1970). When the value of a regional food-related industry accounts for a higher proportion of gross domestic product (GDP), its position will become more important, the benefits of reform will be greater, and the government will be able to reconstruct and reform the food safety system.

H₃: The more negative events there are involving food safety, the more likely it is that the government will reform food safety regulations.

Institutional changes need to adapt to the demands of the external environment. The institutional environment faced by organizations involves a combination of legal environment, cultural expectations, social constraints, and beliefs. Such an environment has to answer and react to the expectations of society (Hall et al. 1996). The requirements of the external environment are known as “legality,” which refers to the widely accepted social reality. Dimitrakopoulos (2005) concludes that “beliefs do their job through institutions.” In China, the “legality” of the regulatory

domain usually comes from sudden negative events and is “forced” by social attention and demands. Such events create policy windows for changes to occur. Health damages brought by environmental pollution is now a central issue for Chinese citizens (including air, water, soil pollution, waste treatment, nuclear safety, and the consumption of natural resources). Regulatory agencies regain their “legality” and legitimacy by institutional innovation, which shows that they are listening to the public regarding national safety concerns. These negative events promote innovations, just like the public demand for and support of the implementation of Environment Protection Inspection (Jordan and Lenschow 2008).

H₄: The higher the proportion of ethnic minorities, the more likely it is that the government will reconstruct its food safety regulation.

Since systems do not exist in isolation, institutions have more or less contact with each other (Lewis 1955). For example, China’s ethnic regional autonomy system has an impact on food reform. On the one hand, due to differences in religious culture and living customs, the eating habits of some ethnic minorities in our country are very different from those of the Han people. They have special needs for food production and consumption. On the other hand, due to natural and geographical conditions, the food safety governance is different in some of our ethnic minority areas versus other parts of the country. Therefore, China’s food safety issues also need to take into account ethnic minorities.

2.2.2. Hypotheses on the Adoption of Food Safety Regulatory Agency Reconstruction

H₅: The faster that reforms had previously been implemented, the more likely it is that the government will adopt reconstruction in food safety regulation.

Institutional changes have to consider historical factors regarding the form of organization and the way that governmental regulations are administered; the previous institutional environment can greatly impact later organizations. In other words, there is a path-dependent effect brought about by historical traditions (Hancher et al. 1989). Path-dependence means that participants in institutional reconstruction tend to choose a model that they already know and agree with; thus, the old institution (in a new form) is continued in the new regime. Therefore, regimes that enact faster reforms tend to remain be pioneers in agency adoption and in accepting reform ideas from other areas.

H₆: The more resources that the regulatory organizations have, the more likely the government will adopt reconstruction in food safety regulation.

Institutional change cannot take place overnight, as it is constrained by budget. Every organization has to obtain the necessary resources to survive and changes require many resources. Such an investment of resources is a component of technical factors. Some researchers believe that rich economic

resources can help the spread of innovation (Gray 1974). Organizations and society may pay huge costs due to the exploratory nature of innovative projects or policies in environmental regulation. Obtaining sufficient resources allows regulatory agencies to intensify their changes by adding additional actions to the basic requirements.

H₇: If more surrounding governments are innovating, the likelihood of the local government adopting reconstruction is higher.

New institutionalism states that agencies at the same level create social pressure to imitate each other, causing isomorphism (DiMaggio 1996). Isomorphism does not imply a total copying of each other, but rather selective and targeted imitation. They adapt in eight ways, including policy goals; this is consistent with the geographical factor of the spread of governmental innovations, encouraging the government to accept them (Dolowitz 1996).

3. Data and Methods

3.1. Sample Selection and Data Sources

The reform of food safety regulation system covers the administrative level of provincial, prefectural, and county levels. In order to enlarge the sample size and to take into account the collectability of the data, this paper uses prefecture-level city data to carry out hypothesis testing. The final samples of this study were 333 prefecture-level administrative units,

containing 325 prefecture-level administrative units that publicly announced the reconstruction of their food regulatory departments during the last round of reform. It should be noted that the date of the last reform is different from place to place, so the relevant data presented is in accordance with the date of individual local food safety reform. The sources of the data are the census, statistical yearbooks, food safety annual reports, publicized related official documents, and news reports. The details are as follows.

3.2. Variable Measurement

3.2.1. Dependent Variable

From the perspective of reform, government agency reconstruction actions not only finished in accordance with the requirements of upper-level government, but also in accordance with the local situation. The biggest breakthrough in the last round of reform involved establishing a unified market regulatory agency, which contains all parts of food safety, such as production, circulation, and sales. In this paper, the establishment of a unified market regulatory agency, which conducts the food safety regulation function, serves as an indicator for measuring whether the local government accepts government reforms and reconstructs their agencies.

3.2.2. Independent Variables

Considering the lag of reform acceptance, the independent variable during a particular year may not have an impact at that time. Thus, the time of the independent variable is earlier than the

adoption of actions, assuming that the adoption of the reform occurred a year later.

(1) *The Level of Economic Development.* This research uses per capita GDP to measure the level of economic level of the discussed prefecture cities. Data was collected from the statistical yearbooks of the related years.

(2) *The Relative Size of Food Market.* We defined agriculture, forestry, livestock husbandry, non-staple foods, and fishery as making up the food-related industry. The measurement of the relative size of the food market is the proportion of food-related industry's value to the local GDP. The data was collected from related statistical yearbooks: the food safety yearbooks of the target prefecture cities.

(3) *Negative Events.* This refers to negative events regarding food safety issues from 2011 to 2013, according to reports concerning food safety included in related news databases; these reports were obtained by searching for keywords such as "food scandals," "food harm," "food incident," etc. Since it is impossible to gain access to internal government documents, we were only able to collect data from external media reports and news databases, such as Xinhua News Agency, People Daily, and China Central Television.

(4) *Ethnic Minorities.* This concept is measured by the ratio of the population of ethnic minorities to the entire local population. Since the prefecture-level census data of the population in 2015 has not been released, this study uses the 2010 census instead.

(5) Historical Factor. The latest round of food safety regulatory system reform was conducted in 2008. This refers to whether there are other previous innovations before the studied regulatory innovation; these data come from news reports, the official website of the department of environmental regulation, related annual reports, statistical annual reports, and ordinary annual reports.

(6) Investment of Resources. The proportion of the food safety expenditure out of the total expenditure of the government was obtained from sources such as statistical annual reports, financial statistical annual reports, and regional socioeconomic development reports for the relevant years.

(7) Pressure from the Surrounding Governments. This refers to whether neighbor prefecture cities in the same province had related innovations. We checked to see if neighboring areas carried out related reconstruction behavior.

3.2.3. Control Variables

This study used one control variable: city rank. Although this article has a clear study object, prefecture-level administrative units in the China administrative sequence, these administrative units are divided into different ranks: sub-provincial cities (including independent-plan cities), provincial capital cities, and ordinary prefecture-level cities. They have different administrative resources, limits, and constraints when they take actions to reform and reconstruct their agencies, so the ability for

different ranked cities to adopt a unified system of market regulation is totally different. This study uses dummy variables to measure them.

3.2.4. Basic Data Description

The basic description of the variables is shown in Table 1.

Among the 325 prefecture-level administrative units that have already announced a food regulatory agency reform program, a unified market regulatory system is adopted by thirty-three prefecture-level cities, accounting for 10.15 percent of the total population. It should be pointed out that although some areas adopted a unified market regulatory system model, there are different categories among the unified market regulatory system. According to the unified market regulatory agencies in practice, the unified market regulatory agencies of prefecture-level cities can be divided into the following types:

(1) 2 in 1. This type of unified market regulatory agency mainly mixes two major market-related regulatory bodies, such merging the industry and commerce and food and drug regulatory departments. The prefecture-level administrative units that adopted this type are Baoding City, Baotou City, Xilin Gol League, Bayannaoer City, Hegang City, Hangzhou City, Ningbo City, Wenzhou City, Jiaying City, Huzhou City, Shaoxing City, Jinhua City, Quzhou City, Taizhou City, Lishui City, Xiamen City, Karamay State, and so on.

Take Baoding City as an example. In April 2015, the new Baoding Market Supervision Bureau was es-

Table 1. Basic Information about the Variables of Population

Variables	Means	Standard Deviation	Minimum Value	Maximum Value
Dependent Variable				
Whether the unified market regulatory system has been adopted (1=Yes, 0=No)	0.1	0.303	0	1
Independent Variables				
Level of Economic Development (Yuan)	45654.42	33807.53	8141.83	322419.75
Level of Economic Development (Ln)	10.54	0.59	9.00	12.68
Relative Market Size (%)	20.22	11.94	0.69	64.96
Negative Event (Case)	0.14	0.5	0	3
Ethnic Minority (%)	15.70	25.94	0.01	97.83
Time of Last Round of Reform (1=2008, 2=2009, 3=2010, 4=2011, 5=2012)	3.02	0.73	1	5
Investment of Resources (10,000 Yuan)	1697.41	2836.76	99.01	24934.51
Investment of Resources (Ln)	6.91	0.92	4.60	10.12
Pressure from the Government of the Same Level (whether surrounding prefectures carried the unified market regulatory system) (1=Yes, 0=No)	0.15	0.358	0	1
Control Variable				
City Level				
Sub-provincial Level Cities (1=Yes, 0=No)	0.05	0.21	0	1
Provincial Capital Cities (1=Yes, 0=No)	0.05	0.22	0	1

Source: Author analysis of the raw data

tablished. It integrated the function of food safety regulation from the Bureau of Commerce and Bureau of Quality Supervision and based its new bureau on the original Baoding Administration of Industry and Commerce and Food and Drug Administration in Baoding. At the same time, the Baoding City Food Safety Committee Office is located within the new market supervision agency, while the Administration of Industry and Commerce and the Food and Drug Administration are still superficially retained. This is the first action that accepts the “2 in 1” model of food safety regulation in Hebei Province. It is also the only case that employs a unified market regulatory system model in the prefecture-level administrative units in Hebei.

(2) 3 in 1. This type of unified market regulatory agency mainly mix-

es three major market-related regulatory bodies, such as merging industry and commerce, food and drug, and quality supervision departments. The prefecture-level administrative units that adopted this type are Chifeng City, Tongliao City, Zhoushan City, Jingde-zhen City, Pingxiang City, Xinyu City, Yingtan City, Yinchuan City, Shizuishan City, Wuzhong City, Zhongwei City, Guyuan City, Haidong City, Haibei State, and the Tacheng Areas.

Take Zhoushan City as an example. In December 2013, the new Zhoushan Market Supervision Bureau was established. It was based on the original Administration of Industry and Commerce, the Food and Drug Administration, and the Quality Supervision Bureau in Baoding. At the same time, the new agency also conducts the function of the Zhoushan Food Safety

Committee Office. The newly established Zhoushan City Market Supervisory Agency helps cut down on administrative costs. Compared to the total amount of the three old departments, industry and commerce, quality supervision, and food and drug, the new agency has decreased its costs by 21.4 percent and cut staff positions by 17.2 percent. Compared with other cities in Zhejiang Province, Zhoushan City's local industry and commerce, quality supervision, and food and drug offices easily complement each other in technology, personnel, and organization network; therefore Zhoushan City decided to use the "3 in 1" model.

(3) Multiple in 1. This type of unified market regulatory agency has the most diverse constituency, on the basis of the above types, and as far as possible tries to integrate the relevant areas of market regulation, such as the Shenzhen Market Supervision Agency. The Shenzhen Market Supervision Agency integrated the industry and commerce, food and drug, quality supervision, intellectual property protection (trademark, patent, copyright), price monitoring, and catering supervision departments, along with other departments that conduct market related regulation duties, and became the model of food safety regulatory system reform.

In 2009, Shenzhen City adopted a "super-ministries" approach to integrate industry and commerce, quality supervision, food and drug regulation, and other departments, and the new market regulation agency became an important sector of the Shenzhen municipal government. Its main purpose

is to address the overlapping and vague powers and responsibilities within the market regulatory process. Shenzhen's innovation and practice drew the attention of the central government. In 2013, a new round of food safety regulatory system reform was launched. The Third Plenary Session of the Eighteenth CPC Central Committee adopted the "CPC Central Committee on Some Major Issues Concerning Comprehensively Deepening the Reform." This document states that "to reform the market regulatory system, we need to build a unified market regulation system." Therefore, the Shenzhen experience serves as a demonstration case and provides a path for new reform.

In addition, there are some places using the "4 in 1" model. On the basis of the "3 in 1" model, there are different combinations. Some cities included the price-monitoring department in the unified market regulatory agency, while some cities incorporated the salt administration department into the unified market regulatory agency. However, these agencies mainly exist at the county-level and are therefore not the object of this study. This study therefore ignores them.

As shown in Table 2, among the thirty-three prefecture-level administrative units that employed a unified market regulation system during the observation time, the "2 in 1" model was adopted by seventeen cities, merging the departments of, and integrating the functions related to, food production; circulation regulation, such as quality supervision; commerce administration; and sanitation administration. Fifteen

cities adopted the “3 in 1” model, merging the departments of industry and commerce management, food and drug safety regulation, and quality supervision. Only Shenzhen uses the “all in 1” model. As seen from the distribution of various models, department merging and integrating needs to break the barriers of a single department’s interest. Thus, the more departments that are merged, the more difficult it will be and the less likely it will occur.

From Table 3, we can see that, in the initial view, the prefecture administrative units that adopted a unified market regulatory system are significantly different from those that did not in terms of overall statistical indicators, such as economic development level, relative market size, resource input, and surrounding government pressure at the same level, which may provide a direction for the final conclusion. Therefore, this study pays special attention to these indicators in the following regression analysis.

It should be noted that, in order to facilitate the calculation, this study calculates the natural logarithm of two variables: the level of economic development and investment of resources. The following correlation analysis and multiple regression analysis are based on the logarithm calculation.

4. Model Analysis and Discussion

In order to test the influencing factors of the agencies reconstruction of the local food safety supervision

system, we can test the hypothesis of this paper by establishing a regression model in order to carry out a multiple regression analysis of the data. Since the values of dependent variable “regulatory agencies reconstruction adoption” are 0 and 1, we decided to adopt a logistic regression.

4.1. Model Analysis

The regression equation is as follows:

$$Y = a_1x_1 + a_2x_2 + a_3x_3 + a_4x_4 + a_5x_5 + a_6x_6 + a_7x_7 + a_8x_8 + e$$

Y represents the adoption of government agency reconstruction, x_1 represents the level of economic development, x_2 represents the relative size of the market, x_3 represents a negative event, x_4 represents ethnic minority factors, x_5 represents historical influence, x_6 represents resource investment, and x_7 represents the pressure from surrounding government. Control variable x_8 represents the city level.

The test shows that the correlation coefficient between the independent variables and control variable are not high (all of them are lower than 0.75); thus, eliminating them from the model is unnecessary. The dependent variable and most of the independent variables obviously correlate and thus fit the hypotheses of the research.

The multicollinearity test shows that many Eigenvalues are larger than 0.9 (which is obviously larger than 0). On the other hand, many dimensional condition indexes are between 1.066 and 2.043 (and therefore smaller than the general standard of 10), thus show-

Table 2. Type of Unified Market Regulatory Institution

Type	Number
2 in 1	17
3 in 1	15
Multiple in 1	1
Total	33

Source: Author analysis of the raw data

Table 3. Basic Information on the Variables of Unified Market Regulatory Agencies Sample

Variables	Means	Standard Deviation	Population Means	Population Deviation
Independent Variables				
Level of Economic Development (Yuan)	63540.97	40717.84	45654.42	33807.53
Level of Economic Development (Ln)	10.90	0.56	10.54	0.59
Relative Market Size (%)	12.11	7.57	20.22	11.94
Negative Event (Case)	0.12	0.415	0.14	0.5
Ethnic Minority (%)	14.84	18.91	15.70	25.94
Time of Last Round of Reform (1=2008, 2=2009, 3=2010, 4=2011, 5=2012)	3	0.791	3.02	0.73
Investment of Resources (10,000 Yuan)	2260.89	2204.19	1697.41	2836.76
Investment of Resources (Ln)	7.43	0.75	6.91	0.92
Pressure from the Government of the Same Level (whether surrounding prefectures had a unified market regulatory system) (1=Yes, 0=No)	0.76	0.44	0.11	0.32
Control Variable				
City Level				
Sub-provincial Level Cities (1=Yes, 0=No)	0.12	0.33	0.05	0.21
Provincial Capital Cities (1=Yes, 0=No)	0.03	0.17	0.05	0.22

Source: Author analysis of the raw data

ing that the risk of serious multicollinearity does not exist.

This model employs the spread of government reform innovation as the dependent variable and the level of economic development, relative market size, ethnic minority factors, negative events, resource inputs, historical influence, and surrounding government pressure as independent variables. Fur-

ther, this study regards the city administrative level as the control variable in order to conduct the regression analysis. The results are shown in Table 4. Table 4 reports the result of logistic regression.

4.2. Discussion

After testing the robustness of the logistic regression, the study found that the correlation di-

rection of the independent variables in all regression models is the same and significant; therefore, the logistic regression results passed the robustness test.

First, let us look at the relative size of the market. In all models, the regression coefficient on the independent variable “relative market size” is -0.097, -0.092, -1.507, and -1.503, and is statistically significant at 0.05. This indicates that there is a negative correlation between the adoption of agency reconstruction and the proportion of local food-related industry value in the GDP. That is, the greater the food-related industry’s role is in local economic development, the more likely the local government is to take a conservative approach to reform, by not accepting the reform. Thus, hypothesis 2 is supported.

Second, let us look at resource investment. In all models, the regression coefficient on the independent variable “investment of resources” is 0.898, 0.715, 1.060, and 1.082, and is statistically significant at 0.05. This shows that there is a strong positive correlation between resource investment and the

adoption of food regulatory agency reconstruction, which means that rich investment food regulatory departments tend to accept and implement reform. Therefore, hypothesis 6 is supported.

Third, let us look at pressure from other local governments. In all four models, the regression coefficient on the independent variable “the same level government pressure” is 3.212, 3.255, 1.134, and 1.136, and is statistically significant at 0.01. This reveals that the adoption of reform by surrounding cities within the same province have a positive influence on local reform, which means that the more neighboring cities in the same province adopt a new system of local food safety, the more likely it is that the local government will accept the reform. Hypothesis 7 has been verified.

As for the control variable, the city level, neither the sub-provincial level cities nor the provincial capital cities show a statistical correlation. Therefore, it cannot serve as an independent variable alone.

Table 4. The Correlation Matrix of Independent Variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Economic Development	1.000						
(2) Relative Market Size	-0.553	1.000					
(3) Negative Event	0.201	-0.168	1.000				
(4) Ethnic Minority	-0.143	0.168	-0.098	1.000			
(5) Historical Factor	-0.021	0.088	-0.065	0.320	1.000		
(6) Resources	0.295	-0.322	0.403	-0.177	-0.116	1.000	
(7) Surrounding Cities	-0.073	0.085	0.025	-0.081	0.013	0.036	1.000

Source: Author analysis of the raw data

Table 5. Regression Analysis on the Adoption of Government Agency Reconstruction

DV	Adoption of Government Agency Reconstruction			
	LN (1)	LN (2)	SD (3)	SD (4)
Model				
IV				
Economic Development	0.638 (0.682)	0.671 (0.675)	0.188 (0.244)	0.211 (0.238)
Relative Market Size	-0.097* (0.047)	-0.092* (0.046)	-1.507* (0.537)	-1.503* (0.520)
Negative Events	-0.230 (0.397)	-0.266 (0.386)	-0.151 (0.195)	0.093 (0.186)
Ethnic Minority	0.015 (0.017)	0.013 (0.017)	0.003 (0.006)	0.018 (0.026)
Historical Factor	0.376 (0.390)	0.338 (0.380)	0.258 (0.280)	0.248 (0.278)
Resource Investment	0.898* (0.456)	0.715* (0.344)	1.060* (0.572)	1.082* (0.602)
Surrounding Pressure	3.212** (0.684)	3.255** (0.674)	1.134** (0.238)	1.136** (0.233)
Control Variable				
City Level				
Sub-Provincial Level	-0.708 (1.148)		-0.189 (0.230)	
Provincial Capital	-0.760 (1.241)		-0.059 (0.264)	
Constant	-15.715** (8.400)	-14.83** (7.984)	-2.965** (0.438)	-2.944** (0.436)
Goodness of Fit				
Cox & Snell	0.296	0.294	0.278	0.275
Nagelkerke	0.538	0.534	0.505	0.500
-2 Loglikelihood	85.075	85.678	89.813	90.657

Notes: (1) *p<0.05, **p<0.01 (two-tailed test). (2) The number within the brackets represents the standard error.

Source: Author analysis of the raw data

5. Conclusion

In this paper, in accordance with the empirical findings, the relative size of the market, resource input, and level of government pressure influence the horizontal diffusion of government reform and the adoption of agency reconstruction, which is significant. This study shows that the relative size of the market contributes to government reform and the adoption of construction, which previous studies have not investigated. Since the observation object is regulatory agencies that are highly related to market operation, the fact that relative market size is taken into account for the adoption of agencies reconstruction is reasonable.

First, relatively small market areas are more willing to accept government reform diffusion and adopt agency reconstruction. Reform and innovation may fail. However, if the reform content is less related to economic activity, the failed reform will cause less economic fluctuation and has lower cost. In this study, the greater the proportion of food-related industries that account for the local GDP, the more cautious the local government will be in carrying out the reform, and the more conservative their approach to reform will be, because they worry that if the innovation deviates too much from the local reality, it will affect the development of the local food industry and local economy. This shows that the basic orientation of China's local governments—economic development as the center—has never changed: the question of whether to accept external innovation in institu-

tional reform must take local economic development into consideration. When innovative methods, tools, policies, and organizations from external units will affect, or even hamper, the economic interests of local governments, local governments will choose to reject such government innovation. Thus, in China, government agency building directly influences the relationship between the government and the market, especially when referring to the relationship between the market regulatory department and market activity output, reflecting the effectiveness of the regulatory state building process and regulatory capacity building.

Second, governments that possess more resources are more willing to accept government reform diffusion and adopt agency reconstruction. Government reform takes a certain amount of resources, and adopting governmental institutional reconstruction means that the existing institutions, staff, finances, and other resources need to be redistributed and allocated; thus, governments that own rich resources tend to coordinate the interests of all parties well. In this study, food regulatory authorities with abundant financial resources are more likely to adopt a unified market regulatory system, accepting innovation. On the one hand, abundant financial resources can contribute to the ways of solving the conflict of interest during the adoption of innovation, allowing the food regulatory authorities to carry out a more thorough reform. On the other hand, food regulatory departments are all rational; as the main focus of the last round of reform, food regulators want

to get more resources through the unified market regulatory system. Each round of reform becomes a new chance for the food regulatory system to reallocate the existing interests; thus, the “N in 1” innovation model involves a multi-sectoral resource and distribution issue. Institutions are motivated to expand their power and resources, and reform provides an opportunity for such institutions to obtain new powers and resources legally. Institutions with rich resources will gain more advantage and decision-making power, which will help them obtain more resources, strengthen their regulatory capacity, improve their regulatory performance, and promote their local government performance significantly, providing the basis for obtaining more resources and forming a positive cycle. Institutions with rich resources will accelerate the acceptance of reform and the reconstruction of their agencies.

Third, the same level of pressure on government will promote the acceptance of reform and agency reconstruction. When surrounding areas have quickly completed reform or adopted reconstruction, the local government will be pressured, especially when the reform is a political task, and top-level politicians will pay attention to the issue (but may only be encouraged to do so). Driven by this pressure, like “GDP competition,” the local governments launched the **Reform Race** in order to gain attention from a higher level of government. Driven by pressure to reform from neighboring prefecture-level administrative units, local governments tend to concentrate on their own institu-

tions’ innovation. When the regulatory departments of surrounding areas act in ways related to the innovation, the local government is likely to study and imitate the innovation and then establish a similar system. In addition to the desire for attention from a higher level of government, the adoption of a government innovation results from the establishment of government legitimacy, even if the government does not need to innovate (Jensen 2003), and the legitimacy of the government is usually reflected by the degree of reform acceptance; the reputation for actively promoting regional development, in order to attract further investment and labor; and ultimately promoting local economic and social development. This is consistent with domestic and foreign research conclusions.

It should be noted that based on the description of a development-oriented economy and the **Reform Race**, we can infer that the driving forces behind the acceptance of reform are the officials who promote it. That means the basic motivation for government to accept reform and adopt agency reconstruction comes from officials. According to Zhou’s (2007) study of local government, local authorities carry out campaigns in terms of economic and social development. Although there is no direct pressure from a higher level of government, the competition among local governments is very fierce. In the face of peer pressure, in order not to lag behind reform by other governments with the same conditions, local government officials also choose to adopt reform or accept the reform from outside, which is the “push” power of the adop-

tion of agency reconstruction. However, when the reform's tools, systems, policies, or institutions may damage the local economy and social development if they apply the reform to the local government, local officials are able to ignore peer pressure, and choose to reject the reform, which can be defined as the "pull" power of the adoption of agency reconstruction. In addition, governments with rich resources are more innovative and can facilitate performance improvement, helping government agencies form a "positive cycle" for obtaining resources, which is the "acceler-

ation force" of the adoption of agency reconstruction. From this perspective, the three factors, in descending order of influence, are peer pressure, relative market size, and resource investment. Peer pressure induces the adoption of government agency reconstruction, while the relative size of the market may veto this process. On the basis of the above, resource investment is also an important factor contributing to the acceptance of government reform. The relationships among the three factors are represented in Figure 1.

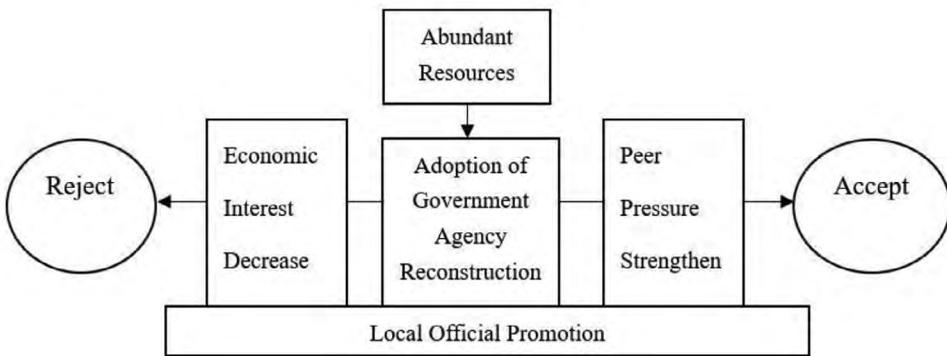


Figure 1. Government Agencies Reconstruction Adoption Influential Factors

Western studies mention that officials can lead to government reform and agency reconstruction. However, different attitudes toward reform result from different ideologies. Chinese officials pay more attention to their promotion, which is important to observe further. From the perspective of regulatory agency reconstruction, the autonomy of officials contributes to Chinese government reform, especially when the policy is not forced. Local officials have the autonomy to decide whether to accept a

policy in accordance with the local situation and their promotion, which can be greater than the upper-level government's intention.

Food regulatory reform never ends, providing a good opportunity for scholars to study the adoption and innovation of government reform. Since the last round of reform is less involved in the provincial food safety regulatory department innovation, this study addresses only the horizontal direction: the spread of innovation between the

same level of governments. Thus, there is no further illustration of the adoption of reform in the vertical direction. In accordance with the conclusion of this research, promoting reform and its diffusion in the horizontal direction, we can achieve reform in a department related to an industry that has a smaller impact on economic development department or that innovates in relatively small ways, which may have a smaller impact on economic development. Secondly, we take advantage of surrounding government reform, especially governments that are similar to the local government in terms of economic and

social development and political culture, to promote new tools, new policy, and the new institution and its large-scale application, thereby improving the performance of the local government. Finally, the resources of relevant government departments need to be strengthened to help the government coordinate stakeholders' interests and promote needed reform. Promotion by officials also needs to be considered; in particular, higher levels of government should make full use of the power of personnel management to accelerate the adoption of the reform.

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