

Research on Government Regulation: From the Perspective of Business Environment Governance

Yazhuo Huang

Zhou Enlai School of Government, Nankai University, Tianjin, China

Email: hyz1130@mail.nankai.edu.cn

How to cite this paper: Huang, Y. Z. (2022). Research on Government Regulation: From the Perspective of Business Environment Governance. *Open Journal of Social Sciences*, 10, 33-42.

<https://doi.org/10.4236/jss.2022.107004>

Received: March 2, 2022

Accepted: July 4, 2022

Published: July 7, 2022

Copyright © 2022 by author(s) and Scientific Research Publishing Inc.

This work is licensed under the Creative Commons Attribution International License (CC BY 4.0).

<http://creativecommons.org/licenses/by/4.0/>



Open Access

Abstract

Government regulation in business environment governance is similar to the narrow sense of “economic regulation” in the foreign context and the “big” regulation of “approval + regulation” in the domestic discourse. It refers to the government’s treatment and correction of market failure in the micro-economic field before, during and after the event. The efficiency and quality of government regulation are the influencing factors of government regulation. The implementation of government supervision reform will help to improve the efficiency and quality of government supervision, and then help to reduce the institutional transaction cost of market subjects such as enterprises, which is an important symbol of the improvement of business environment governance performance. In this sense, the reform of government regulation is the key dimension to understand the governance of business environment.

Keywords

Government Supervision, Business Environment Governance, Efficiency of Government Supervision, Quality of Government Supervision

1. The Connotation of Government Regulation in Foreign Context

According to the interpretation of Oxford Advanced English Chinese dictionary, “regulation” mainly has two meanings: first, “the act of regulating or the state of being regulated”, translated as “managing, regulating, controlling the action of management or the state of being regulated”; second, “a principle, rule, or law designed to control or government conduct” is translated into “rules, rules, reg-

ulations and ordinances”. In western developed countries, the understanding of government regulation is closely related to the government’s handling of the relationship with the market and society. In other words, in foreign discourse, government regulation is the general name of all activities of the government in dealing with external relations.

In dealing with the relationship between the government and the market, government supervision refers to “economic supervision”, that is, in order to prevent the inefficient allocation of resources and ensure the fair utilization of those in need, the government supervises the entry and exit of enterprises, price, quantity and quality of services, investment, finance and accounting and other relevant behaviors according to legal authority (Zhu et al., 1992). For the connotation of “economic supervision”, there are two understandings: narrow and broad. In a narrow sense, economic regulation refers to the government’s treatment of market failure at the microeconomic level, excluding the correction of market failure at the macroeconomic level. For example, Theodore E. Keeler and Stephen E. Foreman pointed out that “regulation is the economic control imposed by government representative agencies on (usually) private companies” (Xu et al., 2003). In a broad sense, economic regulation refers to both the government’s treatment of market failure at the microeconomic level and the correction of market failure at the macroeconomic level. For example, R. Baldwin, C. Scott and C. Hood put forward that “regulation is all the efforts of government agencies to guide and control the economy” (Baldwin & Scott, 1998).

In dealing with the relationship between the government and society, government supervision refers to “social supervision”, that is, for the purpose of ensuring the safety, health, environmental protection and disaster prevention of workers and consumers, formulate certain standards for the quality of goods and services and various activities accompanying their provision, and prohibit and restrict the supervision of specific behaviors (Colin, 2018). Social supervision is also known as “health safety and environmental regulation”, which refers to the supervision focusing on how to achieve social goals such as health, safety and environmental protection in addition to the purpose of economic supervision (Viscusi & Harrington, 2018). Social supervision needs to solve various negative externalities in economic activities, such as severe environmental pollution, excessive waste of resources, hidden dangers of production safety and so on. It can be said that social supervision is an important supplement to economic supervision. However, the boundary between social supervision and economic supervision is not clear. Economic supervision sometimes includes the purpose of social supervision, and social supervision sometimes adopts the means of economic supervision. Therefore, they are not only different from each other, but also related to each other, which together constitute the overall meaning of government supervision.

To sum up, in foreign discourse, government regulation is a relatively “big” concept, which is essentially the general name of all activities of the government

dealing with the relationship with the market and society. When the government deals with the relationship with the market, it is called “economic supervision”, and when the government deals with the relationship with society, it is called “social supervision”. Among them, “economic supervision” has two understandings, narrow and broad, according to the different scope of supervision. In a narrow sense, the scope of regulation only includes the field of microeconomics; the broad view is that the scope of regulation includes both microeconomic and macroeconomic fields.

2. The Connotation of Government Regulation in Domestic Context

The term “regulation” is not a local concept. It comes from the English “regulation”. It should be noted that there are three customary translation methods of English “regulation” in China: “regulation”, “regulation” and “regulation”. These three translation methods have no essential difference, but different expression habits. Therefore, in order to facilitate understanding, this paper adopts the translation method of “supervision”. The connotation of government regulation in the Chinese context is difficult to generalize: subjectively, it is a special concept of “small”; but objectively speaking, it is a quite “big” concept.

Domestic society’s understanding of government supervision is a process in which theory precedes practice. Under the planned economic system, the government implements highly centralized planned management and controls all the resources of economy and society by means of administrative orders. At this time, although the government has no professional “supervision” responsibility, everything is in the “supervision” of the government. Since then, in the process of transformation to a market economic system, when finding a balance between “giving play to the role of the market” and “preventing market failure”, the importance of government supervision has been highlighted. At this time, the government did not have enough regulatory knowledge and methods. Therefore, the practical and theoretical circles began to draw nutrients from the modern regulatory theory and practice of western developed countries and try to guide the relevant reforms. Thus, the initial basic understanding of the connotation of government supervision in China has been formed. However, these modern regulatory theories are based on the mature market economic system, which are not in line with the reality of China and are difficult to be realized in China.

However, due to the urgency of practical reform and the limitations of theoretical cognition, in fact, China’s understanding of government supervision is not only based on modern supervision theory, but also narrowed due to the influence of language and cultural tradition. This is mainly reflected in the “government work report” deliberated and adopted at the fifth session of the Ninth National People’s Congress on March 15, 2002. “We must further emancipate our minds, completely get rid of the shackles of the traditional planned economy, and effectively transfer the functions of the government to economic regula-

tion, market supervision, social management and public services” (Zhu, 2002). Therefore, the connotation of government supervision can be clarified in the form of official documents. It is not only distinguished from economic regulation, but also separated from social management, but also different from public services. It only refers to the government behavior that directly acts on enterprises with the help of relevant laws and regulations to regulate, restrict and restrict enterprise activities.

However, because China’s market economic system is not yet mature, but market economic activities are complex and changeable, it is not only simple in theory, but also difficult to operate in practice to rely only on the above relatively small “supervision” to maintain market rules and standardize market order. Thus, the product of the planned economic system, “examination and approval”, can be retained for a long time in the market economic system and become an important supplement to “supervision”. Although “examination and approval” and “supervision” have the same characteristics, such as legitimacy, formality, micro orientation, right restraint, discretion and so on.

However, their value pursuits are different. “Supervision” is based on the public value of social consensus, while “examination and approval” is based on the public interest subjectively recognized by the government. This means that, compared with “supervision”, the “examination and approval” retains the government’s “omniscient” planned economy color, which is not consistent with the development direction of the market economy. However, in practice, the government transiting from the planned economy period not only suffers from “approval dependence” for a long time, but also “approval” is still the preferred management tool when facing complex economic problems. Although with the deepening of the reform of “release, management and service”, the government is changing the management mode of “re examination, approval and light supervision”, constantly weakening the color of “examination and approval” and strengthening the significance of modern “supervision”. However, objectively speaking, “examination and approval + supervision” constitutes the overall meaning of government supervision in the Chinese context.

To sum up, compared with government regulation in foreign discourse, government regulation in Chinese context is both “small” and quite “large”. “Small” is manifested in that it does not include economic regulation (economic regulation in a broad sense), social governance (Social Regulation) or public services. It only refers to the government behavior that directly acts on enterprises with the help of relevant laws and regulations to regulate, restrict and restrict enterprise activities. The “big” is reflected in that it refers to the government behavior that allows enterprises to engage in specific activities, namely “examination and approval”; it also refers to the government activities that carry out inspection and management in accordance with the permission decision, namely “supervision”. Among them, “approval” is a kind of “supervision” with the color of planned economy, which has never been seen in western developed countries, but it is

“approval + supervision” that constitutes all the meaning of government supervision in the domestic context.

3. The Connotation of Government Regulation in Business Environment Governance

Since the business environment refers to “the institutional factors and conditions involved in the market economic activities of enterprises and other market subjects”, business environment governance refers to the process that the government improves the government service ability and government service level that restricts enterprises and other market subjects to achieve their highest productivity. Therefore, the connotation of government supervision discussed in the context of business environment governance is generally consistent with the narrow connotation of “economic supervision” in the foreign context, and is also consistent with the “big” supervision connotation of “approval + supervision” in the domestic discourse.

First, the main role of government regulation in business environment governance is the government. The main body of government supervision should not only have the power of supervision, but also have the ability of supervision, but also be able to bear the responsibility for the consequences of market failure. There is no doubt that the government is the only subject that meets these three conditions at the same time. On the one hand, the government has the regulatory power conferred by laws and regulations. On the other hand, the government has the regulatory ability to ensure regulatory behavior. In addition, more importantly, the government can represent the public interest to the greatest extent, so it has the courage to “pay” for the consequences of market failure. Although some actions of the government are based on the real public interest, while some actions are based on the nominal public interest, however, whether it is a variety of public interests, for enterprises and other market subjects, the resulting behavior has “natural” authority. Therefore, the government should be the main body of government supervision in the governance of business environment.

Second, the scope of government regulation in business environment governance is the field of microeconomics. Government regulation deals with and corrects the market failure at the microeconomic level, such as imperfect competition, natural monopoly, external diseconomies and non value goods, information bias and internal diseconomy. Therefore, the methods it can adopt include prohibiting specific acts, such as illegal trade, possession, trade and use of drugs; permit, register and declare the entry, price, charge and qualification of enterprises; certification, review and inspection of the contents of products and services and the standards of production equipment; sign administrative contracts with enterprises for the purpose of controlling prices and limiting supply; for industries with information bias problems, mandatory trading participants to disclose relevant information; for the disputes between the two parties of market transactions, a coordinated administrative ruling shall be made according to the

application of the parties (Ma, 2018).

Third, the role of government regulation in business environment governance is in advance, during and after the event. Government supervision exists in the whole life cycle of enterprises and other market subjects entering the market, production and operation and exiting the market. In the “ex ante” stage, in order to ensure the appropriate competition in the market and the balance between supply and demand, the government will make a decision (not) to allow enterprises and other market subjects to enter the market. In the “in process” stage, in order to ensure the efficiency of resource allocation and the fair supply of services, the government will carry out price supervision; in order to prevent the problems of repeated construction and overproduction caused by excess investment and the resulting price fluctuations, the government will carry out investment supervision; in order to prevent the decline in the quality of goods and services provided by enterprises and other market entities, or provide inferior goods and services, the government will carry out quality supervision, and so on. In the “post event” stage, in order to maintain the production efficiency and economic vitality of the market, the government will guide and supervise the withdrawal of enterprises and other market subjects from the market.

To sum up, government supervision in business environment governance mainly refers to the supervision involving the whole “government supervision environment”, which is roughly similar to the narrow meaning of “economic supervision” in foreign context and the “big” supervision of “approval + supervision” in domestic discourse. In other words, government regulation in business environment governance is the government’s treatment and correction of market failure in the microeconomic field before, during and after the event.

4. Influencing Factors of Government Regulation in Business Environment Governance

The institutional transaction costs borne by market entities such as enterprises are generated when they actively or passively handle various government services in the links of entry, production, operation and exit. In short, the total external cost borne by an enterprise is equal to the total number of matters handled by the enterprise multiplied by the individual cost brought to the enterprise by handling each matter. In fact, a good government regulatory environment will only bring limited institutional transaction costs to enterprises and other market subjects. This is because, on the one hand, it reduces the overall number of matters to be handled, on the other hand, it reduces the single cost of handling various matters, so that the market subject does not need to bear too many external costs that cannot be internalized. Specifically, the former is realized by optimizing the process and improving the efficiency of government supervision; the latter is completed by improving the system and improving the quality of government supervision.

On the one hand, government regulation efficiency. The efficiency of govern-

ment supervision is measured by the procedures, time and expenses experienced by enterprises and other market entities in the process of business handling. Shorter handling procedures, less handling time and lower handling expenses are the signs of better efficiency of government supervision. Therefore, business process optimization is the breakthrough of government supervision efficiency reform. By integrating the internal resources of the government, breaking the business barriers between different levels and departments within the government, and realizing the transformation of business matters from “decentralization” and “serialization” to “integration” and “parallelization”, so as to improve the convenience and automation level of business handling process and reduce the non productive operating costs of enterprises and other market entities, It is an important way to improve the efficiency of government supervision.

In short, the efficiency of government regulation is an influencing factor of the government regulatory environment, which is measured by “formalities”, “time” and “cost”. It is an important way to improve the efficiency of government supervision to realize process optimization through the reform of business matters, organizational carrier and technical support.

On the other hand, quality of government supervision. The quality of government supervision is measured by the efficiency of the system faced by enterprises and other market subjects in the aspects of startup, site selection, financing, operation and bankruptcy treatment. Ensuring the effectiveness of the system and maintaining the adaptability of the system is a sign of the better quality of government supervision.

Because the system is not an independent individual, it is the product of continuous historical development and intertwined social interaction. Therefore, with the changes of external environment such as politics, economy, society and culture, the system should also be adjusted accordingly. In this way, we can maintain the adaptability between the system and the external environment, so as to ensure the effectiveness of the system in the multi-layer, diverse and changeable social operation. In other words, the government should establish a dynamic adjustment mechanism and long-term management mechanism of the system, so as to make the system change with time, keep pace with the times, better safeguard the public interest and realize the overall welfare of the society.

The adaptability of the system is also reflected in the mutual adaptation of various systems in the system. If there is an obvious institutional conflict in the institutional system, enterprises and other market subjects are easy to fall into the dilemma of “doing something and not doing something” and “forbidding doing something and allowing to do something”. Under this institutional system, it is difficult for market subjects to form stable institutional expectations and make accurate production and operation decisions, which seriously affects their survival and development. Therefore, when designing and improving the system, the government should consider the functions and division of labor of different systems, ensure the mutual coordination between systems, and give

play to the synergistic effect of “1 + 1 > 2” between systems.

In a word, the quality of government supervision is another influencing factor of the government supervision environment, which is measured by the efficiency of the system. Ensuring the effectiveness of the system and maintaining the adaptability of the system is an important way to improve the quality of government supervision.

5. Discussion

The improvement of business environment governance performance means the improvement of government service ability and level that restricts enterprises and other market subjects from reaching their highest productivity. Therefore, the external costs beyond the operating costs of enterprises and other market subjects that cannot be internalized can be reduced. The implementation of government supervision reform means the improvement of government supervision efficiency and the quality of government supervision, which is the direct motivation to reduce the institutional transaction cost of market subjects such as enterprises. In this sense, the improvement of business environment governance performance depends on the implementation of government regulatory reform. In other words, from the perspective of government regulatory reform, we can explain the reasons for the differences in business environmental governance performance in different economies, and further find the general law for different economies to improve business environmental governance performance. In other words, the reform of government regulation is the key dimension to understand the governance of business environment.

First, clean up, simplify and integrate business matters. First, clean up business matters that cannot add value and are unnecessary. Most of these business matters are the “inheritance” of old customs or the “excuse” for departments to avoid responsibility, and they have no contribution to meeting the needs of market subjects, so they should be cleaned up. Second, simplify the business matters with low value-added but indispensable for the time being. Most of these business matters are additional matters of value-added matters. Although their added value is low, it is difficult to cancel them in a short time. Therefore, the content and links of this part of business matters should be simplified as much as possible. Third, integrate the same, similar and similar business matters. Most of these business matters are “one” business matters artificially divided due to “overlapping responsibilities” within the government. Therefore, these business matters should be re-integrated to realize that “one matter is only the responsibility of one department” and “one matter only needs to be handled once”.

Secondly, in terms of organizational carrier, establish a one-stop center. “Market players such as enterprises are more interested in a quick and effective way to solve problems than learning about the uniqueness of government institutions”. The construction of one-stop center is an excellent way to break through the organizational structure of the government and solve the problem of “fragmenta-

tion” of government service process. It is an organizational form established by organically integrating the internal functions of the government under the guidance of the concept of taking enterprises and other market subjects as the core. The one-stop center has the characteristics of centralization. It provides a comprehensive and one-time way to handle business matters, so that the market subject can complete all business matters to be handled after one contact with the government at a single site (Christopher, 2003).

Finally, in terms of technical support, with the help of modern information technology. With the support of modern information technology, such as big data, Internet plus, AI, we build an online one-stop center. By storing, processing, computing, sharing and coordinating massive data, we transform government passive, extensive and experiential problem solving methods into a dynamic, refined and intelligent government service mode. In fact, online one-stop center is the operation form of one-stop center in cyberspace. On the one hand, it is the result of the mapping of the entity one-stop center in cyberspace, that is, the online one-stop service website corresponds to the offline one-stop service hall, the online website column corresponds to the offline service window, and the online manual question and answer service corresponds to the offline clerk service. On the other hand, because it has the characteristics of opening anytime and anywhere, low service cost, and can cross departmental boundaries to realize the smooth flow of information, it is also a transcendence of the entity one-stop center. Compared with the physical one-stop center, the online one-stop center can better adapt to the requirements of the rapidly changing market environment for government services.

In the rise of the western world, written by Douglass C. North and Robert P. (1973) Thomas, they pointed out that, “Whether it is capital accumulation, economies of scale or booming innovation, they are all manifestations of economic growth itself, not the reason for economic growth; the key to economic growth, or the real reason for the rise of the western world, lies in the formation of efficient economic organizations, which is characterized by the establishment of institutional arrangements with clear definition of property rights and effective contract execution, resulting in a kind of stimulation Encourage individuals to engage in activities that can promote economic growth.” In other words, an effective system can encourage market players to invest and start business, facilitate the production and operation of market players, and promote economic growth and social prosperity.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

References

- Baldwin, R., Scott, C., & Hood, C. (1998). *Reader on Regulation* (pp. 2-4). Oxford University Press. <https://doi.org/10.1093/acprof:oso/9780198765295.001.0001>
- Christopher, P. (2003). Joined-Up Government: A Survey. *Political Studies Review*, 1,

34-49. <https://doi.org/10.1111/1478-9299.00004>

- Colin, S. (2018). *Regulation, Governance and Law: Research on Frontier Issues* (p. 5). Tsinghua University Press.
- Douglass, C. N., & Robert, P. T. (1973). *The Rise of the Western World: A New Economic History* (p. 10). Cambridge University Press.
- Ma, Y. J. (2018). The Concept of Regulation: International Vision and Chinese Discourse. *Zhejiang Journal*, 4, 49-62.
- Viscusi, W. K., & Harrington, J. E. (2018). *Economics of Regulation and Antitrust* (5th edition., pp. 435). The MIT Press.
- Xu, M. Y., Zhang, F., et al. (2003). *New Palgrave Dictionary of Law and Economics* (p. 241). Law Press.
- Zhu, R. J. (2002). *Zhu Rongji Government Work Report (at the Fifth Session of the Ninth National People's Congress on March 5, 2002)* (p. 15). People's Publishing House.
- Zhu, S. W., Hu, X. X., et al. (1992). *Planting Grass Is Beneficial Micro Regulation Economics* (p. 27). China Development Press.