

# The Logical Basis for the Fully Balanced Development of Public Products

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## **Abstract:**

In order to enable more balanced development of public products, overcome the contradiction between people's growing material and cultural pursuits and the inadequate and unbalanced development, in this paper, through logical reasoning, an in-depth discussion is made on the fully balanced development of public goods. Fundamentally speaking, the inadequate and uneven development of public products is a major contradiction that must be resolved at present and in the future. How to overcome this contradiction is an important issue before the state, governments at all levels, and the public. Regarding the fundamental result of research and innovation, the key to the balanced development of public products lies in the system. We must recognize that the actual high-cost supply system of public products has hindered its fully balanced development, and the high cost of public products stems from the internal inflexible mechanism of public product production and operation organizations. The root cause of the inactivity of the organization subject mechanism lies in the traditional government's monopoly management system over the production and operation of public products.

**Keywords:** *Public goods, Fully balanced development, System reform.*

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## **I. INTRODUCTION**

Fully balanced development of public products as the basic carrier of people's needs for a better life plays an important role in resolving major social contradictions. The reason why public products are in a state of inadequate and uneven development at this stage is that, under the traditional government monopoly system, the management mechanism over public product production and operation entities is relatively stagnant, and the high cost of monopoly tends to appear.

## **II. THE REASON WHY PUBLIC GOODS HAVE NOT YET FULLY DEVELOPED IN A BALANCED MANNER**

### **2.1 The Influence of Informal Organizations in Government Monopoly Organizations is Relatively Magnified**

Under the traditional government monopoly system, the public organization that produces public goods is itself a norm, and its activities are subject to the degree of matching between regulatory tools and goals<sup>[1]</sup>.

In public organizations, employees need common regulations and guidelines in their production and operation activities in order to control the production and operation costs of public products and improve performance. The operation manifestations of public organizations include organizational design, functional department setting and division of labor, job descriptions, etc. On this basis, management process documents such as management control mechanisms, work operation procedures, and management forms are formed. Under the traditional monopoly of public product, the government participates in the decision-making of public product production and operation to varying degrees, which results in the particularly prominent influence of informal organization within the public organization. The standardization of the mechanism and the relationship between the superior and the subordinate are mutually integrated and restricted, affecting private interactions outside work, emotional interactions and cognition of responsibilities, as well as the connection between managers of public organizations and the corresponding levels of the government, and the private relationship between leaders and subordinates. These special relationship networks different from private organizations form an "invisible order", thereby breaking the norms of organizational mechanisms in the general sense<sup>[2]</sup>. As a result, in the organizational mechanism operation process, it is necessary to consider the non-normative factors of the informal organization within the organization in addition to the objective norms. Of course, such non-normative factors generated by informal organizations play a more obvious role in Chinese public organizations than in private organizations. Therefore, a scientific and ideal organizational mechanism must be reformed inside and outside the system to maximally eliminate informal organizations or correctly guide informal organizational behaviors, so that there is a certain degree of standardization to give full play to the role of organizational mechanisms.

## 2.2 The Operating Link of the Public Product Production and Operation Organization is Broken

Organizational operation activities form a systematic cycle, and wanton behavior in any link will cause the disconnection of the organizational operation, thereby affecting operational performance. In any form of public organization, its decision-making is not the result of careful calculation by the leaders of various departments. Instead, it is a game operation involving government leaders at a certain level, heads of related departments, their subordinates, and other interested organizations and the public. Such decision-making activity constitutes a complete system activity, involving the organization and management activities of public products in the reality, which is also an organic system. In the process of producing public products, the resource allocation efficiency of some professional public organizations is likely to be "robbed" by social forces including the government. This is due to the failure of the organizational system in some links<sup>[3]</sup>. In a pure occasion or environment, the operation of public organizations = norms + regulations + monitoring. Speaking from the connotation and manifestation of a specific public organization, the mechanism of a public organization mainly involves the planning organization's purpose or strategy, planning basis, operating standards, and organizational management implementation procedures, management mechanisms, control processes, and relationship with other mechanisms. Where, normativeness refers to the operating purpose, operating basis, applicable norms, management mechanism, etc. in the organization and management. Regularity factors include the links that constitute the implementation process of the management mechanism, the specific procedures for the

implementation of the management mechanism, the methods and procedures for management mechanism to achieve expected goals, as well as the management mechanism formation process, the effective time of the management mechanism, and the relationship with other management mechanisms. Monitoring content is mainly to give early warning and summarize experience based on the information status reflected in the operation activities, provide suggestions for further improvements. In a situation where various informal forces inside and outside public organizations can “participate” in decision-making at will, the norms, procedures, or monitoring will “deform” in operation<sup>[4]</sup>. As a result, the system principles that organizations must follow are inevitably destroyed.

### 2.3 Fully Balanced Development of Public Products Requires a Scientific Institutional Foundation

The efficient and scientific operation of any organization must require corresponding conditions. First, the internal management mechanism set up by the organization should conform to the development laws or rules of everything involved in scientific management principles and organizational behavior of public organizations<sup>[5]</sup>. Second, the prerequisite for implementing a standardized management mechanism must be system specifications for the whole process of the organization's operation, which is also the specification for the overall structure configuration and work procedures of all employees in the organization. Third, the top-level design should fully reflect the management system supporting rapid development. Only in this way can the overall operation of the management system of public organizations be standardized. Otherwise, the implementation results of the management mechanism will show an irregular and weak state. The standardization of the management mechanism for public organizations producing public products should not only make the management mechanism stably and dynamically uniform, but also need competitors to help develop management motivation of continuously pursuing better results. Fundamentally, it should adapt to changes in internal and external environments such as industry trait, industrial characteristics, organizational personnel quality, organizational environment, and personal factors of the person in charge. For public organizations, how to control and adjust the stability and dynamics of management mechanisms based on the changes in these internal and external influencing factors<sup>[6]</sup> is mutually integrated and interrelated with the reform of the public management system.

## III. THE SCIENTIFIC MANAGEMENT MECHANISM OF THE MAIN BODY OF PUBLIC PRODUCTS AND SERVICES IS THE BASIS FOR FULLY BALANCED DEVELOPMENT

### 3.1 The Management Mechanism under any Form Needs to be Scientifically Regulated

Generally speaking, management mechanism is the internal linkage function of the organization system and its operation law. Management mechanism determines the operational performance of an organization, which is true for both public organizations and private sector organizations. The composition and efficacy are completely determined by its own operation. Once an organization's internal management mechanism is formed, it will spontaneously or actively induce and determine the organization's activity procedures in accordance with the corresponding operating rules<sup>[6]</sup>. The objective manifestation of the management mechanism is determined by the basic structure of the organization. If we assume that people change the

basic structure of the organization, then the substance and effect of the management mechanism will be inevitably changed. From the perspective of an organization's construction model, scientific management mechanism structure is based on objective laws, based on the internal management content of the organization, which is an organic whole that combines several interrelated and mutually restrictive institutions<sup>[7]</sup>. In reality, people form corresponding interest-driven mechanism in the private sector according to economic laws; starting from logical concepts, people establish corresponding social organization management mechanism based on social and psychological laws. The essential role of the management mechanism of any organization is consistently true or false, which is imposed on the management object in strict accordance with the requirements of certain objective laws<sup>[8]</sup>. Therefore, management behavior in violation of objective laws will inevitably be punished by objective laws.

### 3.2 The Fundamental Purpose of Standardizing the Internal Management Mechanism of the Organization is to Optimize Resource Allocation

The objective reason for the establishment and continuous improvement of the internal management mechanism of public organizations is to produce public products for them and save public resources to the greatest extent. The normative implementation and innovative activities of public management mechanisms is also a product of the smooth operation of public organizations. In layman's terms, the norms, rules and innovations of the management mechanism of public organizations are the ways for public organizations to optimize resource allocation and operate at low cost. In an organization, resources refer to the sum of human, material, and financial resources within the organization, which are the basic supporting foundation for organizational development. Any organization has the instinct to compete for resources. The demand for resources is an instinctive desire. This is because the resources to meet people's needs are limited or scarce. To solve this permanent contradiction, management value arises. The value of this association is to maximize the role of resources and minimize the difficulties caused by scarcity of resources, thereby enabling scientific allocation of resources. The mechanism is that any organization must scientifically and rationally allocate limited resources to various areas of the organization through a certain method<sup>[9]</sup>. The performance required for resource allocation is to use the least resource consumption to maximize the production of products and labor, thereby generating the best economic or social benefits. Under certain conditions, an organization allocates its various resources for different uses, the essence of which is the distribution of the organization's total labor time among various departments.

### 3.3 The Fully Balanced Development of Public Products Requires Standardization of Management Mechanism of the Production Organization

As far as transaction costs are concerned, behaviors of establishing public product marketing strategies, deepening service areas, broadening service channels, and implementing strategic objectives all depend on whether the internal management mechanism is scientific or not<sup>[10]</sup>. This is determined by the connotation of the management mechanism. Scientifically standardized and effectively implemented management mechanisms include organizational culture, strategic goals, internal cohesion, quality of will, strict rules and regulations, organizational discipline, and employees' sense of innovation, etc. The connotation of

these organizational mechanisms objectively decides the magnitude of transaction costs in the organization promotion activities. In the same way, a scientific, standardized and well-executed management mechanism is also a gate valve to control the internal technical cost of the organization. Public product production and operation organizations with similar environments have completely different production and operation costs, and thus generate completely different operating effects. It is the result of completely different internal management mechanisms in terms of model, philosophy, and execution. In reality, there is an intangible law between the institutional standardization, innovation and service cost of public management organizations. They are based on each other, interdependent, and restrict each other. Where, a benign relationship is that the two form a unified, harmonious and mutually-promoting relationship through coordination.

#### **IV. THE GOVERNMENT MONOPOLY SYSTEM IS THE SHACKLES OF INADEQUATE AND UNEVEN DEVELOPMENT OF PUBLIC PRODUCTS**

In management, system refers to the state's system design for a certain field of production and operation. It is a specific manifestation of the organization system in a certain field, which is a normative system for organizing and managing various aspects of social life, including economic business, political business, and cultural business. Such examples are public management system, social governance system, military management system, education management system, science and technology system, etc. Objectively speaking, a diversified competitive environment for the production and management of public products has been formed in our country, but the government monopoly generated under the traditional planning system still dominates the production and management of public products today. Under certain conditions and within certain time and space, the national basic national system, management system, and specific rules and systems within the organization can be transformed into each other. However, from the perspective of manmade behavior or from the perspective of formulating and implementing management mechanisms, a certain system has a subjective influence on the internal management mechanism<sup>[11]</sup>. The management mechanism of the production and operation of public products is usually formed through internal system, which operates in a certain way, and achieves its specific functions through interaction. Of course, from the perspective of implementation practice, the operating rules of the system and mechanism are all artificially set, and this artificial setting determines its strong sociality<sup>[12]</sup>. In the organization, there are competition mechanism, supervision mechanism, incentive mechanism, information feedback mechanism, etc. In the actual organization and management activities, mechanism can be decomposed into two functions. The first is the mechanism for the normal operation of business activities, such as the production, marketing, and price of public products, and so on. The second is the incentive and supervision mechanism to ensure the efficient operation of these businesses. Under normal circumstances, a multi-competitive system in which different subjects coexist will create a scientific incentive and supervision mechanism. Monopoly system is, however, completely different. Without competitive pressure, one would not consider cost and performance wholeheartedly. Inertia then appears, so the chain of production and management functions inevitably rusts. Therefore, system is a prerequisite for the scientific implementation of the internal mechanism of the organization. Only by constructing a scientific and reasonable management system for the production and operation of public products can a clean, efficient,

and highly motivating internal management mechanism be formed<sup>[13]</sup>.

## **V. THE MULTI-SUBJECT COMPETITION SYSTEM IS THE ONLY WAY FOR THE FULLY BALANCED DEVELOPMENT OF PUBLIC PRODUCTS**

### **5.1 Strategically Re-clarify the Extent to Which Public Products Affect the National Economy and People's Livelihood**

Generally speaking, when a certain product is gradually enriched and the weight of factors affecting the national economy and people's livelihood is reduced to a certain extent, the government's planned distribution model should be withdrawn and replaced by market allocation. At present, China's public products in many fields no longer exist or rarely affect the national economy and the people's livelihood<sup>[14]</sup>. Such examples are highways, railways, civil aviation, medical and health care, culture and education, etc. All-round competition and operation among different social subjects will definitely not affect the national economy and people's livelihood. Nonetheless, these areas are basically in a state of complete government monopoly. Therefore, to establish a low-cost service model for public products that meets fully balanced development requirement, we must first clarify the extent to which public products affect the national economy and the people's livelihood. On this basis, the government monopolizes industries or some important public products are supplied by the government, so that the industries demanding market competition or some public products in the industries are market-competed<sup>[15]</sup>. Its reform path can also refer to the reform ideas of state-owned enterprises in the 1990s to a certain extent. It is worth mentioning that the reform of the grain and oil supply model in the 1990s provides very good enlightenment for the innovation of the actual public product business model.

### **5.2 The Government still Needs to Dominate Public Goods in Important Areas**

To control the deep-seated contradictions in social and economic development activities, the government needs to dominate social security in important areas. As far as the current and future periods are concerned, the Chinese government need also dominate the production and operation activities of public products in some areas. For example, the social security issue must be responsible by the government, and of course the fairness issue must also be completely resolved. First, different forms of old-age security products, medical and health security products, as well as major public products such as national defense and national public security must be monopolized by the government. Second, basic education products should run on a government-led and market-assisted production and operation mode<sup>[16]</sup>. Furthermore, urban and rural public transportation services should be led by the government to ensure people's travel convenience. For public goods unable to be produced and supplied by private sector, once the government withdraws or partially withdraws, it will affect the national strategic security and the long-term and realistic livelihoods of the people. Therefore, while dominating the production and operation of public products in certain areas, the government must continue to monopolize certain public products of great importance and unable to be produced and operated by the private sector.



### 5.3 Diversified Competition of Quasi-public Products can Enable Fully Balanced Development

At present, the basic conditions for China to implement a diversified competition model are mature. If the government continues to monopolize operations, it will not only cause unfairness in social income, market competition, and internal and external aspects of the system, but also cause inefficiency in the allocation of public resources, and objectively delay the fully balanced development of public products. Moreover, it has been proved by practice that it is also an important source of corruption of government officials<sup>[17]</sup>. Fundamentally speaking, the state is the product of the transfer of individual rights. Speaking from this principle, the government in reality must be a limited, decentralized government by rule of law. If the government always has certain privileges, a limited government will become an unlimited government. Just imagine, if a certain organization has privileges in social activities in a country, fairness of social contract will be difficult. The essence of the government monopoly of public products is an objective reflection of government privileges. If the disadvantages of privileges are not eliminated, it will be difficult to achieve the fully balanced development of public goods.

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