

**China Research Group Annual Webinar
Nottingham University Business School**

Thursday 9th December 2021

Venue: MS Teams

Programme

- 11:30-13:00 The Role of Financial Incentives in Health Care Policy**
Dr Pai Steven Xu, Hong Kong University Business School
[Click here to join the meeting](#)
- 13:00-14:30 M&A: Why Do Deals Fail?**
Peter Lu, Baker McKenzie LLP
[Click here to join the meeting](#)
- 14:30-16:00 Political Incentives, Tournament Competition and GDP
Manipulation: Evidence from Chinese Cities**
Lixin Colin Xu, The World Bank
[Click here to join the meeting](#)

11:30-13:00 Thursday 9th December 2021

The Role of Financial Incentives in Health Care Policy

Dr Pai Steven Xu, Hong Kong University Business School



Abstract:

This talk will explain our research on two China's national policies concerning health care. Our focus is on how the financial incentives may be twisted in the system and thus work against the policymakers from achieving the original goals at outset.

First, China introduced a national policy to regulate hospital drug prices in 2012, aiming to alleviate the dependence of hospital operation on drug sales. Since then, the markup for drugs prescribed and dispensed in the public hospitals dropped from 15% to 0. We use the patient level data from a hospital in Western China to study the effect of this Zero Markup Drug Policy. We investigate how the policy has changed the financial incentives so that the hospital managed to survive from this structural change. We find responses both by the physicians in non-surgical departments and by the hospital management through resource reallocation. Our findings raise an important issue - the monetary reward of patient care was redirected to capital rather than professional skills by the policy.

Second, China's anti-poverty agenda has one key target making healthcare more accessible to the poor. Various governments relay the goal to improve the affordability through the public insurance system. Among these efforts, however, it has been missing whether or not the poor has sufficient access to the care via usual sources and to preventing from severe development. This is what we referred to as the primary care in this work. We focus on the role of primary care in the medical services offered to the rural areas in China. Our research examines the effectiveness of alternative policy options aiming to improve health care accessibility to the poor. In particular, we find current policy effectively reduces the cost sharing to the poor for their hospitalization treating severe conditions. This is shown not the way to help the poor, as it twisted the incentive for the poor to have the problem treated in early stages.

Speaker:

Dr. Pai Steven Xu was born in the mainland China, and went to Canada for post-graduate studies in economics. He started working in the Business School of Hong Kong University after he obtained his PhD degree from the University of British Columbia.

By training, Dr. Xu's research field is industrial organization. His attention has always been on the strategical interactions by the market participants and welfare enhancement to the society under the environment of asymmetric information. Dr Xu's expertise is the empirical analysis of market practice with a structural approach. The advantage of structural analysis requires a close connection between what economic theory tells and what we can learn from the data. As a consequence, the derived results on counterfactual experiment become relevant and meaningful. Dr. Xu's strength lies at the very point of identifying the applied message with down-to-earth nature in his research.

In the early stage of career path, his efforts have been on the methodological aspect of understanding auction data. His research findings have elicited much attention from the field. In recent agenda, Dr. Xu's interests have extended to the data analytics in digital economy and in health economics. His focus remains to address fundamental issues that arise in the new era.

13:00- 14:30

M&A: Why Do Deals Fail

Peter Lu, Partner, Baker McKenzie LLP



Abstract:

Corporate mergers and acquisitions (M&A) can take a company from zero to hero overnight. But while M&A can transform a company's growth prospects, financial performance and long-term outlook, it is not without risk. If it were easy, everyone would be doing it. Unfortunately, plenty can go wrong when acquiring a company - from failing to consider what is actually included in the price tag, to problems with post acquisition integration. This seminar will explore the biggest problems and pitfalls for parties engaging in M&A activity, from strategy, negotiation, due diligence and more. It will also consider some of the biggest case studies where things didn't work out as planned - such as HP's eye-watering \$8.8 billion write-down, or the (in)famous Rolls Royce-Volkswagen deal illustrating the value in properly conducting due diligence. The seminar is targeted to students interested in learning more about commercial law and business practice.

Speaker:

Peter Lu is a Partner within Baker McKenzie's London Office, and leads the Firm's China Practice in the UK. Peter is a senior partner advising Chinese clients' most strategic, sensitive and ambitious mandates, with a particular focus on M&A. Within this field, Peter advises clients on cross-border M&A, distressed M&A, joint ventures, directors' duties, governance matters, complex restructurings, disputes, crisis management and more. His clients are private, public and state owned enterprises, and span a number of industries, including financial services, media, infrastructure, consumer, energy, transportation and professional services.

Peter's clients include Fortune 500 companies, Royal Chartered company and funds such as Bank of China, China Taiping Insurance, Reignwood Investments, China Hailing Group, China Media Group, China Telecom, Hisense International, ICBC, The British Standards Institution and China-Africa Cotton. Clients praise Peter for the time he takes in getting to know their legal and commercial objectives, his skilful negotiation, his ability to see the "big picture" and his solution-driven approach. They also value his ability to cross east and west - and remain attuned to the commercial and cultural nuances each side brings.

Peter has taught M&A and governance courses at Peking University, Tsinghua University, China Banking and Insurance Regulatory Commission (CBIRC) and Bank of China. Peter is a committee member of the Institute of Directors (IoD City Branch); the UK's longest-running organisation for professional leaders. He has also been invited to testify on the issues of UK-China trade, and most recently, the NSI Act, before the UK Parliament.

"Peter Lu is a very talented M&A lawyer and dealmaker. He truly crosses East and West and serves a lot of different clients from all backgrounds. He is agile, very pragmatic, always solution driven and pre-empts issues before they arise. He is a very trusted safe pair of hands and is a genuine relationship builder."

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14:30-16:00

Political Incentives, Tournament Competition and GDP Manipulation: Evidence from Chinese Cities

Lixin Colin Xu, Lead Economist, Development Economics, The World Bank



Abstract:

The literature underscores the positive role of high-powered incentives to Chinese local officials in promoting local economic growth. In this paper, we examine how the same incentives lead to the manipulation of growth statistics as well. Using satellites-recorded lights as a benchmark, we derive a novel measure of GDP manipulation, and link it with local officials' career incentives based on a comprehensive dataset of prefecture-level cities during 2001–2013. We find a significant political cycle effect, where over-reporting increases over the course of the first term of the party secretary and peaks around the 5th year, the last year of the term. Further spatial econometric analysis reveals a large and positive neighborhood effect on over-reporting for peer cities. Over-reporting indeed is associated with higher chances of promotion, and that both ratchet effect and turnover effect may exist in the manipulation game. These findings point to tournament competition as the key mechanism for GDP manipulation.

Speaker:

Lixin Colin Xu is a Lead Economist in the Development Research Group of the World Bank. After studying at Peking University and the University of Chicago, he joined the Research Group of the World Bank in 1996. His current research has focused on applied microeconomic topics such as development, conflicts, economic history, corporate governance, governance and institutions, political economy, cultural change, and Chinese economy in transition. He has published widely with articles appearing in *American Economic Review*, *American Economic Review* (papers and proceedings), *Review of Econ. & Statistics*, *J. of Financial Econ.*, *J. Public Econ.*, *J. Labor Econ.*, *J. Law and Econ.*, *J. Development Econ.*, and *J. Comparative Econ.* His papers are widely cited in the area of development, transition, and China.