Editorial Introduction

In this issue, our journal is very honored to have Professor Arayah Preechametta of the Faculty of Economics, Thammasat University, accepting our invitation to produce a very insightful article, "On the Distribution Efficiency of an Optimal Monetary Policy". The article sketches the preliminary plan to integrate current models of optimal monetary policy under heterogeneous agents into an asset price function setting. The distributive effects of monetary policy under this new setting are examined. The paper builds up on Xiang's (2013) 'Optimal monetary policy: distribution efficiency versus production efficiency'. Previously, Xiang's model describes an economy with one type of output, and households assigned to one of two groups with equal chance in each period *t*. Given two sub-periods, households are subject to a liquidity shock at the start of the second sub-period. The modification of the model introduces a new risky asset, Lucas tree, along with government-issued assets of money and risk-free bonds. Households then decide how much to consume in the first sub-period, and the amount of money, bonds and risky asset to carry on to the second sub-period. One of the consequences of adding the risky asset is an arbitrage-free condition, imposing a limitation to the number of feasible monetary policy instruments as compared with Xiang's earlier framework.

The article goes on to explore the characteristics of feasible monetary policy instruments at the stationary equilibrium. With 'insufficient liquidity', the authority is left with the printing money option as the only available policy instrument. The likely outcome ends up with higher inflation, intensifying both distribution and production inefficiencies. The overall direction is congruent with Xiang (2013), despite portraying further closer-to-real-world constraints

encountered by the monetary authority. As the stationary equilibrium in this model requires that all asset markets must satisfy the arbitrage-free condition, the value of a discounted bond price in the secondary market can no longer be a policy instrument. Hence, policy-wise, in a situation where there is insufficient liquidity, under certain assumptions on the real interest rate, it is possible to reach full distribution efficiency if the nominal interest rate is set to zero (Friedman rule). This, however, is not strictly the outcome in Xiang (2013).

In the second article, "Sabotage and Deterrence Incentive in Tournament: An Experimental Investigation," by Sorravich Kingsuwankul, the impact of deterrence incentive on sabotage behavior in rank-order tournament is analyzed by an experimental method. In the real-world scenario, the rank-order tournament has often been used as an incentive scheme in many organizations. Examples range from labor contest to sports competition. While contestants can exert productive efforts in order to win high prize, they can sabotage each other behind the principal's knowledge. In practice, sabotage takes on various forms, including destroying others' outputs, manipulating and withholding vital information. Such actions increase rivals' cost of exerting productive efforts and, in turn, increase saboteurs' chance of success in the tournament. This article adapts its theoretical framework from Gilpatric (2011), which extends tournament model to cover cheating. The article interestingly examines the effectiveness of punishment on sabotage in tournament by varying the probability of inspection and the magnitude of punishment. When a saboteur is caught, he loses by default and is fined. The experiment was conducted with Z-Tree (Fischbacher, 2007) at the Faculty of Economics of Chulalongkorn University and Thammasat University. There were 56 participants in total. In line with Becker's (1968) deterrence hypothesis, the article shows that sabotage level decreases as

the level of punishment increases. In addition, the experimental data suggest that probability of inspection is a better stick in suppressing sabotage level. Analysis of variance in sabotage levels also suggests that law enforcement can be achieved only when inspection is high enough. When inspection is nil or low, sabotaging becomes a social norm and this is only reversed when inspection is sufficiently high. Important policy implications can be drawn from the outcome. Sabotage can be reduced significantly by implementing an efficient punishment system. In a real-world scenario with a contest-like situation, regulation designers should consider the legitimacy of the punishment scheme. Weakly enforcing a rule for 'the sake of having it' cannot curb sabotage behavior among contestants. Findings suggest that high inspection drives down sabotage as it imparts credibility and legitimacy of the enforced rule. Thus, contestants should perceive that they would be inspected regularly so that they keep sabotage to the minimum.

The third paper, "Integration in Chinese E-Commerce and Public Policy Concerns: An Analysis of Alibaba Group," by Peipei Qin, explores the integration of e-commerce, third party payment and the logistics industry in China. As widely known, Alibaba Group is one of China's premiere e-commerce companies, with subsidiaries controlling various elements of the e-commerce value chain. Some of these subsidiaries include TaoBao.com, a consumer-to-consumer web portal connecting buyers and sellers, and Alipay, a third party online payment platform. However, while Alibaba has found success domestically it has struggled to expand overseas. This article outlines the overview and limitations of e-commerce industry, and inquires whether the high level of competition, coupled with low regulation, adversely affects e-commerce in China.

Regarding the logistics segment related to e-commerce industry, according to China's State Post Bureau, parcel delivery in China grows at an astonishing pace, with the vast majority of parcels due to the growth of the e-commerce industry. However, as the majority of these deliveries remain domestic, a large discrepancy exists between domestic and international shipping costs, limiting opportunities for Chinese e-commerce sellers to expand overseas. Though the e-commerce industry in China has seen spectacular growth, regulation remains lax as the Chinese government still views it as an immature industry. In terms of policy matters, many issues still remain, including concerns over the safety of Alipay. There is a strong need for regulatory bodies in the government to catch up with the business and impose regulations to ensure a healthy and stable environment. The rapid growth of the logistics industry and intense competition, however, has also caused some raised concerns regarding labor issues and vehicular safety standard.

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