

Labor Power in Chinese History: From Imperial Abundance to Modern Transitions

Introduction

China's vast population has been both a source of strength and a challenge to its rulers throughout history. From the early imperial dynasties through the present, Chinese states have had to manage an extraordinarily large labor force, concentrated especially in fertile regions like the Yellow River and Yangtze River valleys. Historically, this abundance of people shaped the state's calculus of labor as a **renewable, fungible resource** – a seemingly inexhaustible well of manpower that could be mobilized for agriculture, infrastructure, and war. The result was a pattern in which individual lives were often undervalued by authorities amid the macro-scale needs of empire. Over time, however, demographic shifts – from devastating population losses in rebellions or famines to the recent looming population decline of the 21st century – have altered this dynamic. In the contemporary era, labor has become relatively scarcer and more valuable, prompting shifts in state policies such as the relaxation of strict birth control and household registration rules. This report provides a comprehensive historical overview of labor power in China, examining rural and urban contexts across major periods (Imperial, Republican, Maoist, Reform & Opening, and contemporary). It compiles demographic data, historical records, and economic history scholarship to describe how labor abundance or scarcity influenced governance and institutions. Finally, it analyzes these findings through the lens of Acemoglu and Robinson's *Why Nations Fail* framework – particularly the notions of extractive versus inclusive institutions, labor bargaining power, and responses to demographic shocks – to assess how Chinese history supports or challenges their model.

China's Population and Labor in Context: For most of recorded history, China has been the world's most populous nation. As early as 2 CE during the Han Dynasty, China's population was around **60 million** people (approximately one-quarter of the world's population at that time). For the next millennium, dynastic population totals fluctuated between roughly 37 and 60 million, with growth often checked by wars and crises. After 1000 CE, especially during the late imperial period (Ming and Qing dynasties), population growth accelerated dramatically. The introduction of New World crops like maize and sweet potatoes in the 16th–17th centuries allowed cultivation of marginal lands and supported a **population boom**. Qing China's population roughly doubled from about **177 million in 1749 to 358 million by 1811**, and reached an estimated **430 million by 1850**. The chart below illustrates China's long-term population growth, which remained relatively flat for centuries before a steep rise in the Qing and a further explosion in the 20th century.

Chart of China's population growth throughout history. China's populace grew slowly until the late imperial period, then surged in the Qing dynasty (18th–19th centuries) and again in the modern era. Periodic drops coincide with wars, rebellions, and famines (e.g. 17th century collapse of Ming, mid-19th century Taiping Rebellion, and the Great Leap Forward famine). This historical demographic trend underpins shifts in labor availability and state policies.

This demographic backdrop is crucial for understanding labor's role in Chinese political economy. In times of **population abundance**, labor was cheap and readily replaceable from the state's perspective – an input to be leveraged intensively. Emperors and governments could embark on massive projects or sustain large armies, confident that manpower could be replenished by high birth rates. Conversely, in periods of **labor scarcity** (whether regional, due to war and depopulation, or national, due to low fertility), the value of each worker rose, sometimes forcing the state to adjust by offering incentives or instituting reforms. The following sections chronicle this evolving dynamic era by era, tracing how the Chinese state's treatment of labor oscillated between extractive exploitation and, occasionally, more inclusive or incentivizing approaches when circumstances required.

Imperial Era: Labor as the Foundation of Dynastic Power (221 BCE – 1911 CE)

Throughout China's imperial era (from the Qin unification in 221 BCE to the fall of the Qing in 1911), the agrarian economy meant the vast majority of the population were rural peasants. Labor was the **primary resource** underpinning state power – producing food, paying taxes or grain tribute, and supplying armies and corvée work teams. Emperors viewed a large population as a sign of prosperity and a strategic asset ("**population is power**"), yet they often wielded that asset in an extractive manner. Abundant peasant labor allowed rulers to undertake awe-inspiring public works and military campaigns, albeit at great human cost. At the same time, the state had to manage that population through institutions (land allotment systems, corvée labor obligations, etc.) to prevent unrest and ensure sufficient productivity. This section examines key phases of the imperial era, highlighting how labor was mobilized and how laborers fared under different dynasties.

Early Imperial Period: Qin and Han Dynasties

The **Qin Dynasty (221–206 BCE)** inaugurated China's imperial age with a brutally efficient state that saw its subjects as units of labor to be organized and exploited for grand state-building projects. Qin Shi Huang, the First Emperor, famously unified the Warring States and immediately set about imposing heavy burdens on the populace. Historical accounts describe **mass conscription** for Qin's ambitious infrastructure and military endeavors. For example, to secure the northern frontier against nomadic incursions, the Qin regime conscripted "*several hundred thousand workers*" to connect and fortify the old walls of former states, creating the first version of the Great Wall. In addition, **millions of people were dragooned** into huge construction projects – from highways and canals to the emperor's own mausoleum guarded by the Terracotta Army – with many dying en route or on the job. The Qin legalist philosophy treated commoners as state property; every male had obligatory military and labor service, and collective punishment and strict laws ensured compliance. The human toll was enormous: forced labor, heavy taxes, and ruthless punishments earned Qin Shi Huang a reputation as the "arch tyrant" of Chinese history. Individual lives were expendable in service of the empire's glory – a clear example of labor viewed as a fungible resource. Indeed, popular resentment at these impositions sparked rebellions immediately after the First Emperor's death, leading to the dynasty's collapse in 206 BCE. Qin's fate illustrated a recurring theme: over-extraction of labor could spark revolt despite population plenty.

The succeeding **Han Dynasty (206 BCE – 220 CE)** initially moderated the Qin's excesses but continued to rely on labor drafts. Early Han rulers reduced corvée quotas and taxes to rebuild a population devastated by war, acknowledging that nurturing the peasantry was necessary after Qin's depredations. Once recovery

occurred (the Han census of 2 CE recorded **57.7 million people**, roughly a quarter of the world's population), the Han state re-imposed labor obligations albeit in a somewhat more calibrated way. The Han government required adult men to give a period of annual corvée labor or military service (typically one month per year of unpaid work on imperial projects), though commutation in cash or cloth was sometimes allowed in later periods. Major works like the extension of frontier defenses and maintenance of canals continued to depend on mass labor mobilization. The state also employed convicts and state-owned slaves in workshops, alongside hired craftsmen. This mix of forced and paid labor suggests that even in the more "benevolent" Han era, the notion of labor as an obligated resource persisted, tempered by pragmatic incentives to ensure skilled work. Han rulers and scholars did prize the peasantry as the productive base of society – Confucian ideology held that "the people are the foundation of the state" – yet the reality was that commoners were tightly bound to servicing the state through taxes and labor dues.

Despite these burdens, the Han period generally saw population growth and economic expansion, with relative stability enabling farmers to feed the population. There were limits to extraction: if natural disasters or war caused depopulation, the state responded by reducing taxes and labor demands to let the populace recover. For instance, after a major rebellion or external war, Han authorities sometimes **granted tax remissions and suspended corvée** in affected regions to spur resettlement and cultivation (an early recognition that labor was not infinitely replaceable in the short term). In essence, the early imperial state oscillated between exploiting labor when it was abundant and easing off when labor became scarce due to upheaval. By the end of Eastern Han (2nd century CE), internal strife (like the Yellow Turban peasant revolt) and warlordism had again devastated the population – a drop from **~60 million to perhaps 40 million or less** is evidenced in fragmentary records. This demographic collapse set the stage for a period of division, illustrating how overextension and failure to accommodate the welfare of laboring masses could undermine a regime's viability – a lesson future dynasties would re-learn repeatedly.

Medieval and Late Imperial China: Song, Ming, and Qing Dynasties

After centuries of disunity, the Sui (581–618 CE) and Tang (618–907) dynasties restored a strong central empire. The **Sui Dynasty** in particular offers a stark example of an imperial calculus that treated labor as a renewable resource to be expended for strategic infrastructure – with disastrous consequences. The Sui emperors undertook **gigantic public works**, most notably the first Grand Canal, to link China's river systems and supply the capital. According to historical estimates, the Grand Canal project alone conscripted **approximately 5 million laborers** under often appalling conditions. Contemporary chronicles and later historians note that Sui projects were built by "masses of forced laborers working under appalling conditions," resulting in **"terrible suffering"** among the people. By 611 CE, the Sui had completed a vast network of canals from Hangzhou in the south to near Beijing in the north – an engineering marvel that indeed facilitated imperial control and economic integration. However, the human cost of this and other Sui feats (such as rebuilding sections of the Great Wall with huge levies of peasant labor in 607–608) was immense, and **widespread social unrest** was the result. Exhausted and resentful peasant-workers became fertile ground for rebellion. By the reign of Emperor Yang (r. 604–618), constant military campaigns (e.g. disastrous invasions of Korea that also swallowed countless lives) and labor conscription provoked uprisings across the country. The Sui dynasty rapidly collapsed, largely due to popular revolt against overwork and oppression. In this case, the state's assumption that it could **inexhaustibly draw on peasant labor** proved false – labor was abundant but not infinitely so, and the breaking point was reached when extraction outstripped tolerance.

The succeeding **Tang Dynasty** moderated labor demands by instituting the *Equal-Field* system and a milder corvée tax (the *zu-yong-diao* system), wherein peasant households were allocated land in return for a fixed tax and labor quota. In early Tang, adult males owed 20 days of corvée labor a year (with the possibility of paying a tax in grain or cloth instead, which many did as monetization increased). This system worked while Tang was prosperous and population was growing. However, mid-Tang crises – notably the **An Lushan Rebellion (755–763)**, which devastated the north and may have killed up to 13 million people – upset the labor-land balance. After this rebellion, Tang authorities could no longer accurately track households for corvée and taxes; the Equal-Field system broke down as many peasants fled or died. In response, the late Tang state shifted to a new tax system (the *Double Tax*), which taxed households based on property and allowed commutation of labor into cash payments. The army moved from conscription to professional soldiers (often mercenaries). These changes marked a **decline in formal corvée labor** and an increase in hired labor and local recruiting – essentially an adaptation to labor scarcity and administrative chaos. Peasants had relatively more freedom to sell their labor or move, but they also fell under the control of local landlords and warlords as central authority waned. Thus, by the end of Tang, the bargaining power of common laborers may have improved slightly in that the state was less able to coerce them directly; yet exploitation continued in more decentralized forms.

A long period of population growth followed in the **Song Dynasty (960–1279)**. China's population is estimated to have doubled from ~50 million in 800 CE to **100+ million by 1100 CE** (Northern Song era). This era saw thriving commerce, urbanization, and technological innovation. Wage labor became more common in cities (e.g. in workshops, mining, port work), and the state increasingly relied on **monetary taxes** instead of physical labor service. The Song government often hired contractors or paid laborers for projects, reflecting a more market-based approach in an economy with abundant cash and sophisticated markets. However, rural peasants were still under heavy rents and taxes; land concentration in elite hands meant many farmers were effectively tenants. Labor was abundant relative to land in Song times – indeed, economic historians like Mark Elvin have described a “high-level equilibrium” in which cheap labor disincentivized labor-saving innovation in Song China. By one estimate, **Chinese incomes per capita in 1000 AD were as high as or higher than Europe's**, but thereafter China's growth largely kept pace with population (remaining at a near stationary per capita level) while Europe's per capita income began to pull ahead after 1500. Between 1250 and 1850, China's population roughly quadrupled, yet per capita output stayed roughly constant – an indicator that additional labor went into simply producing enough subsistence for more mouths, rather than raising living standards. This pattern is consistent with an **extractive equilibrium** in Acemoglu & Robinson's terms: elites extracted the surplus from an expanding population without broad improvements in productivity or income for the masses. Put simply, more people meant more labor to exploit, rather than a higher value placed on each individual. Only massive external shocks would alter this equation.

One such shock came with the **Mongol conquest (Yuan Dynasty, 1271–1368)**, which caused a precipitous population decline (through warfare, famine, and plague). China's population fell from an estimated 120 million in the late Song to maybe 60–70 million by the 14th century. The **Black Death** and other plagues in the mid-1300s likely hit China as well, further reducing the labor force. In the ensuing **Ming Dynasty (1368–1644)**, the state suddenly found land plentiful and people scarce in some regions – the opposite of late Song conditions. Early Ming emperors (notably the Hongwu Emperor) responded by **enticing peasants to resettle abandoned lands** with promises of tax exemptions and by **redistributing land** to smallholding farmers. For example, after the Ming founder drove out the Mongols, an **initial census in 1372 found only ~84,000 households in Sichuan** (a region devastated by war). To rebuild, Hongwu initiated large-scale state-organized migrations to Sichuan and other depopulated areas (*yimin shishi* – “moving people to fill

Sichuan"). These settlers were lured with **free land grants and multi-year tax holidays**. This policy, known historically as "**Huguang fills Sichuan**", continued into the early Qing era and successfully repopulated Sichuan by bringing in hundreds of thousands of migrants from Huguang (Hubei and Hunan) and other provinces. The Qing government in the 1690s similarly offered **incentives like oxen, seeds, and 5-6 years tax exemption** to encourage migrants to reclaim wasted lands ¹. These measures reveal how a scarcity of labor could force even an autocratic state to adopt more **inclusive economic policies** (at least temporarily) to rebuild the population and productivity. Labor, in these instances, was valued more highly; individuals became something to entice and reward rather than simply requisition.

As the **Qing Dynasty (1644–1911)** progressed, however, population growth returned with a vengeance. From around 150 million in 1700, China's population exploded to **300+ million by 1800 and over 430 million by 1850**. Several factors contributed: prolonged internal peace and stability in the 18th century, expansion of farming into new regions, and new crop varieties (corn, sweet potatoes) that supported higher yields. The Qing state generally welcomed population growth – more people meant a larger tax base and more troops. Indeed, Qing emperors often celebrated population increases, and the ideology of the dynasty emphasized "nourishing the people" on the one hand, though often in service of imperial grandeur on the other. With labor so abundant, wages remained low and rural living standards for most remained at subsistence. By the late 18th century, land per capita had shrunk markedly; many peasants were landless or holding tiny plots, so they increasingly relied on handicraft sideline work or seasonal migration for income. In effect, **labor oversupply** reduced any bargaining power peasants or workers might have had – if one laborer would not accept low pay or onerous conditions, there were plenty of others desperate enough to take his place.

This era exemplified what economists call a **Malthusian trap**: any economic gains were absorbed by population increase, keeping most people at bare survival level. As one analysis summarizes, from the 13th to 19th centuries China saw a fourfold rise in population while per capita income stayed roughly flat, thanks to improved food production techniques that fed more people without fundamentally increasing productivity. The Qing state's attitude toward labor in this context remained fundamentally extractive. It levied a head tax (the *ding* tax) on adult males (though after 1712 this was merged with land tax), and it continued the practice of **periodic corvée** (largely commuted to monetary fees by this time). Peasants also effectively owed labor to local elites or lineage organizations, as land became concentrated (despite Qing legal protections for smallholders, the rich often found ways around them). Major state projects like river dredging, dike building, and palace construction drew on compulsory labor or low-paid hired workers. Even large-scale private enterprises, such as mineral mining or transport guilds, operated under conditions of labor surplus where employers held most of the power.

The downside of treating human lives as an indefinitely renewable resource became painfully clear in the **19th century**, when a combination of factors led to catastrophe. The population had overshoot the carrying capacity of available farmland, and when governance faltered (under fiscal strain, corruption, Western pressures, etc.), the countryside was primed for unrest. The **Taiping Rebellion (1851–1864)** – a massive civil war – and other uprisings decimated the population by an estimated **20–30 million deaths**. Whole regions were laid waste; for instance, central China's Yangtze provinces lost millions and **some areas did not recover their pre-1850 population until the mid-20th century**. From the peak of ~430 million in 1850, China's population stagnated or even fell for several decades. By 1880 it may have been closer to 350–370 million, slowly climbing back to around 400 million by the turn of the 20th century. Thus, **between 1850 and 1950, China's population grew by only about 100 million (from ~432 million to ~532 million)** – a striking contrast to the previous century's explosive growth. This "lost century" of slow population growth was due

to the combined ravages of rebellion, foreign invasion, famine (e.g. the Northern Chinese Famine of 1876–79), and disease. In this period of relative labor scarcity (at least compared to the land and resource base), one might expect workers to gain leverage. Indeed, in some regions after the Taiping war, survivors could demand better tenancy terms or higher wages because land was plentiful and labor was short. Qing authorities, desperate to restore order and production, **reduced taxes, distributed relief, and even sponsored migrations** to refill devastated zones (as noted, Sichuan and other provinces were targets of resettlement policies in the late 19th century as well) ¹. These actions acknowledge that when people became fewer, the state had to **value each person more** – a rare moment in imperial history when the commoner's importance rose in the state's eyes.

Overall, however, the late Qing did not fundamentally shift to “inclusive” institutions; once population pressures resumed by the early 20th century, the old patterns of exploitation continued. By the end of the imperial era in 1911, China's people had endured cycles of being treated as an abundant resource to be spent and, in crisis times, as a resource to be protected just enough to enable recovery. The imperial social contract rarely empowered laborers in any formal sense – there were no independent guilds or unions with clout vis-à-vis the state (though merchant guilds and secret societies at times bargained locally). Peasant rebellions remained the crude instrument of labor's bargaining power, erupting when misery and oppression peaked. The imperial dynasty cycle itself – rise, population growth, administrative overstretch, peasant revolt, dynasty fall – can be interpreted as a function of labor exploitation and demographic swings. As we will analyze later, this reflects a largely **extractive institutional order** in Acemoglu and Robinson's terminology, albeit one periodically interrupted by shock-induced reforms or resets.

Republican Era (1912–1949): Industrialization, Upheaval, and the First Labor Movements

The collapse of the Qing dynasty in 1911 ushered in the Republican era, a time of warlordism, Japanese invasion, and civil war. Demographically, China in 1912 still had over 400 million people, mostly peasants living in roughly the same conditions as under late Qing landlords and local strongmen. The early 20th century brought attempts at industrialization in select urban centers, creating a nascent urban working class whose experience was markedly different from the rural peasantry. For the first time, **urban labor movements** and ideas of workers' rights entered the Chinese scene, influenced by global trends in socialism and trade unionism. However, the turmoil of the period often made human life exceedingly cheap: warlords conscripted peasants at will, and war and famine killed millions (e.g. the 1928–30 warlord wars, the 1937–45 Sino-Japanese War, and the devastating Henan famine of 1942). The state (fragmented among competing regimes) had limited capacity to protect or value individual laborers; instead, common people were frequently seen as cannon fodder or forced labor by whichever authority held sway in their area.

In the **1920s**, under the Nationalist government of Chiang Kai-shek and the influence of the Soviet-allied Communist Party (before their split in 1927), China saw the first significant **urban labor strikes and unions**. Workers in factories, docks, and railways – especially in treaty port cities like Shanghai, Guangzhou, and Hong Kong – organized to demand better wages and conditions. Notably, the 1925–1927 period saw major strikes such as those by Shanghai's textile and dock workers and the Canton-Hong Kong general strike. The Chinese Communist Party (CCP), founded in 1921, initially focused on organizing industrial workers and succeeded in briefly mobilizing a labor movement. These events suggested a rising labor consciousness: unlike in imperial times, some workers attempted to assert collective bargaining power. For example, in 1925 a strike and boycott in Shanghai's Japanese-owned mills won wage increases, and in 1922

seamen in Hong Kong struck for higher pay. However, this embryonic labor empowerment was violently curtailed. After 1927, Chiang Kai-shek's regime suppressed Communist-led unions (the **Shanghai Massacre** of 1927 saw hundreds of pro-labor activists killed). Under the Nationalist government in the Nanjing decade (1928–1937), independent labor unions were banned or co-opted, and strikes were often crushed. Thus, whatever bargaining power urban workers attempted to exercise was short-lived, as the state (now under a nationalist, capitalist-oriented elite) sided firmly with industrialists and landlords to maintain an extractive status quo.

In the countryside during the Republic, conditions arguably worsened in many areas. Warlords during the 1910s–20s extracted whatever resources they could to fund their armies, including grain and labor from peasants, with little central oversight. Peasants remained tied to land controlled by landlords or warlord militias; rents were high and lawlessness pervasive. There were scattered peasant movements (the CCP in its early years also organized peasant associations in rural areas of Hunan and Jiangxi, for instance), but these were met with brutal repression by local elites. Demographic growth was slow: from about 400 million in 1911, China's population may have reached ~450 million by the late 1930s. The modest increase masks enormous mortality from conflict – the Second Sino-Japanese War (1937–45) and World War II caused an estimated 14–20 million Chinese deaths (military and civilian). In occupied areas, the Japanese army infamously used forced Chinese labor for construction and mining (and even enslaved laborers sent abroad). The overall dynamic of the Republican war years was that human life was expendable: whether under Nationalist scorched-earth tactics (as seen in the 1938 breaching of the Yellow River dikes to stop the Japanese, which flooded and killed hundreds of thousands of peasants) or Japanese exploitation, the mentality was that China's big population could absorb horrific losses. One chilling example: Chiang Kai-shek purportedly remarked that China could ultimately prevail against Japan because even if Chinese casualties were in the tens of millions, there would still be hundreds of millions left – a grim echo of the notion of people as a renewable resource.

By the end of the civil war in 1949, when the Communists took power, China's population stood around **540–550 million**. The long period of anarchy and war had kept population growth in check (an increase of only ~100 million over a century, as noted), and had also hardened attitudes about labor. Both Nationalists and Communists recruited millions of peasants into their armies with minimal training or equipment, often relying on sheer numbers to overwhelm the enemy. This foreshadowed the Communist approach in the coming decades: a willingness to mobilize masses for combat or production, on the premise that **manpower was China's one abundant asset** even in the face of material shortages.

Yet, the CCP also carried an ideological commitment to uplifting the laboring classes – “workers and peasants” were lionized as the masters of the new society in rhetoric. In practice, upon victory the CCP regime would attempt a grand social experiment: to harness China's labor power under a centrally planned economy, ostensibly for the people's benefit, but in ways that often reprised the extractive utilization of human effort seen under past regimes. The major difference was that labor was now mobilized not by local landlords or capitalists, but by the state itself claiming to act in workers' interests. The actual experience of workers and peasants under Mao would be mixed, as the next section explores.

Maoist Era (1949–1976): Mass Mobilization and the Value (or Expendability) of Lives

When the People's Republic of China was established in 1949, the new government faced the task of rebuilding a shattered economy. Mao Zedong and the Communist Party believed in the power of human labor as the engine of development – consistent with Marxist ideas valuing the proletariat, but also in line with a long Chinese tradition of **labor-intensive solutions**. Mao famously declared that China's huge population was an asset: *"I'm not afraid of nuclear war... China has a population of 600 million; even if half of them are killed, there are still 300 million people left"*. This startling statement (made in 1957 to a shocked Soviet delegation) encapsulates the Maoist leadership's view that China's population advantage made it uniquely resilient and able to absorb sacrifices. It also chillingly equated human lives with statistics – a continuum of the imperial-era notion of people as fungible resources, now couched in revolutionary bravado.

In the Maoist period, labor was organized in fundamentally new ways. The state eliminated private ownership of land and most private businesses by the 1950s, bringing both rural and urban labor under direct or indirect state control. **Rural peasants** were first coerced into mutual aid teams, then into cooperatives, and finally into large **People's Communes** by 1958. These communes, averaging 20–30,000 people, pooled labor for farming and local industries, effectively making rural labor allocation a function of government planning rather than household decision-making. **Urban workers** were employed in state-owned enterprises (SOEs) or collectively owned factories, and enjoyed an "iron rice bowl" – a cradle-to-grave secured employment system, albeit at relatively low wages. The state determined production targets and job assignments, aiming for rapid industrialization. In both city and countryside, the regime attempted to maximize output by mobilizing labor en masse and instilling a high degree of discipline and ideological zeal. The official narrative valued workers and peasants ("labor heroes" were celebrated), but in practice individual choice was minimal – the state decided where and how one's labor would be used.

Two signature policies illustrate the extremes of Maoist labor mobilization: the **Great Leap Forward** and the **hukou system** of household registration.

- **The Great Leap Forward (1958–1961)** was an economic campaign to fast-track China's leap into a communist utopia by harnessing sheer manpower. Mao believed that by mobilizing China's hundreds of millions of peasants, the nation could "overtake Britain and America" in industrial output without waiting for capital accumulation. The strategy was explicitly **labor-intensive rather than capital-intensive**, seeking to "emphasize manpower rather than machines and capital" ². Villages were urged to set up "backyard steel furnaces" and produce iron in primitive smelters, while agricultural labor was organized into shock-brigades working in newly formed communes ² ³. Huge projects like dam construction, irrigation works, and land reclamation were undertaken by mass labor with minimal equipment – essentially recreating the model of ancient conscript labor but under socialist slogans. During the Great Leap, private farming was banned; communal mess halls were created so that peasants could supposedly focus all their energy on collective production. In rhetoric, "people's communes are great!"; in reality, traditional incentives and checks disappeared. Initially, outputs were exaggerated, and local cadres forced peasants to hand over excessive grain, believing in false bumper harvests. Soon, **grain production collapsed**, but the state continued food procurements to feed urban areas and export some grain. The result was one of history's worst famines: it is estimated that **20 to 30 million Chinese died of starvation between 1959 and 1962** ⁴. The Great

Leap Forward showcased the tragic flaw in treating human labor as the solution to all problems – no amount of coerced manpower could compensate for poor policy and lack of technical know-how. Moreover, it revealed a shocking willingness of the leadership to **tolerate mass death** in pursuit of ambitious targets. Mao never publicly admitted the famine toll, and in the aftermath he even blamed sparrows and bad weather, rather than the systemic over-extraction of peasant livelihood. Only in 1962 did the government retreat, disbanding many communes, restoring private garden plots, and allowing peasants to recover. The Great Leap's failure underscored that labor, no matter how abundant, has its limits and that extreme extraction can be horribly counterproductive. It stands as a stark example of an **extractive policy (in A&R's sense) taken to its extreme**, where the state's attempt to squeeze maximum output from peasants led to economic collapse and human catastrophe.

- **The Hukou System**, introduced in 1958, was a mechanism of social control that tied Chinese people to their place of birth (*hukou* means household registration). Under this system, every individual was classified as either “agricultural (rural) hukou” or “non-agricultural (urban) hukou,” and mobility was strictly regulated. The hukou regime was initially designed to serve Maoist economic strategy: it aimed to **prevent mass rural-to-urban migration** so that cities would not be overwhelmed and so that the countryside could remain self-sufficient in food. Urban areas were privileged with state investment, ration cards, jobs for those with urban hukou, and access to education, healthcare, and housing, whereas rural dwellers were largely excluded from these benefits. Essentially, hukou created a two-tier citizenship that **institutionalized labor apartheid**: urban workers held secure jobs and welfare (forming an elite proletariat in the state's eyes), while rural peasants were expected to feed themselves and supply grain to the state, with minimal support. For the peasants, hukou meant one's labor was literally bound to the commune – leaving to seek non-approved work in a city was illegal and could result in denial of food rations since everything was tied to registration. This system allowed the state to **extract agricultural surplus at low cost** (since peasants had to sell grain to the state at low fixed prices and had no option to leave and find better-paid work). In effect, rural labor was made *fungible* and *immobile*, a captive workforce for grain and raw materials. One scholar noted that by the 2000s, the legacy of hukou still held hundreds of millions in villages “where they are not exploiting their earning potential” because moving remained difficult. Under Mao, the immediate effect was to lock peasants in place during the famine – tragically, many starving villagers could not legally flee to cities where food supplies were better. Hukou thus exemplifies a deeply **extractive institution**: it ensured cheap grain and labor for the state at the expense of rural living standards, by **enforcing a dual structure** that valued urban industrial labor over rural farm labor.

Despite these draconian policies, the Mao era did witness some improvements for ordinary Chinese in certain respects, especially in the early 1950s: land reform broke the power of landlord elites and gave land to peasants (briefly increasing their autonomy until collectivization), and public health campaigns, education drives, and social equality measures raised the quality of life for many. However, these gains were uneven and often reversed by later campaigns. By the late Mao period (1970s), life expectancy had risen and basic literacy spread – indicators that the state's investment in human capital was not negligible. But the fundamental approach to labor remained one of **mobilization and control**. The state assumed it could direct human effort to any task, whether building a dam with shovels or sending “educated youth” to till remote lands during the Cultural Revolution. Labor was idolized in propaganda (“劳动最光荣” – labor is most glorious), yet laborers themselves had little personal freedom.

It is important to note that while the Maoist state was highly extractive of labor, it did so under a collectivist rubric that differed from earlier private exploitation. For urban workers, the “iron rice bowl” meant that although wages were low, job security and benefits were high; their labor was controlled but also protected (a form of state paternalism). For rural people, subsistence was guaranteed in normal times by the collective (famine being the horrific exception), but upward mobility or exit was impossible. There were no formal labor markets – jobs were assigned, not chosen or bargained for. Strikes were essentially unheard of (and illegal) in the PRC until the late 1970s because the Party-state claimed to represent the workers, leaving no room for independent labor demands. Thus, **labor bargaining power was virtually zero** in Maoist China: all negotiations happened within the Party hierarchy, not between workers and management. When discontent did occur (as during some local unrest in the famine or isolated worker protests in 1967), it was usually suppressed or co-opted by the political campaigns of the moment.

In summary, the Mao era continued the historical pattern of viewing China’s giant population as an instrument of policy – perhaps even more intensively than imperial regimes, since the Communist ideology explicitly sought to **“organize China’s vast population... to meet the country’s... problems”** ². The difference was that this was justified as being “for the people” rather than for an emperor. Nonetheless, episodes like the Great Leap Forward reveal that individual lives were still tragically expendable in the eyes of leaders pursuing grand visions. By 1976, on the eve of Reform, China’s population had grown to about **940 million** (despite the famine losses) ⁵, and the country had achieved a basic industrial base but at the cost of great human sacrifice and economic inefficiency. The question looming for the post-Mao leadership was how to feed, employ, and improve the lot of this enormous population without repeating the disasters of over-mobilization. The answer they chose – market-oriented reform – would fundamentally alter the role of labor in the Chinese economy and the state’s approach to population.

Reform and Opening Era (1978–2000s): Market Reforms, Migration, and the “Surplus Labor” Advantage

Deng Xiaoping’s rise to power in 1978 marked a turning point in China’s political economy. The new slogan became **“let some people get rich first”**, and pragmatism replaced ideology. For labor, this era would bring *liberalization* in some respects (the end of collective farming, the emergence of private employment and labor markets) but also new forms of exploitation (notably of rural migrant workers under the still-extant hukou regime). The state’s view of labor shifted: rather than simply mobilizing labor for quota fulfillment, the emphasis moved to increasing productivity and efficiency by unleashing market incentives. However, a key pillar of China’s growth strategy was to capitalize on its **huge, underemployed rural population** – effectively treating the countryside as a reservoir of cheap labor for industrialization. In development economics terms, China in the 1980s and 1990s followed the **Lewis model** of a “dual economy,” where surplus rural labor migrates to fuel urban industrial growth at low wages, until that surplus is absorbed and wages start to rise.

The first major reform was in the countryside: the **Household Responsibility System**, adopted starting 1979–1981, broke up the People’s Communes and allowed farm families to work their own land and sell excess produce after meeting state quotas. This dramatically boosted agricultural productivity and **freed up rural labor** – millions of peasants suddenly had time and incentive to seek non-farm activities once they could meet grain quotas with much less labor input than under the commune system. Township and Village Enterprises (TVEs) sprouted, employing rural labor in local industry. Meanwhile, the state began permitting

and even encouraging peasants to migrate to urban areas for work, especially to the new Special Economic Zones (like Shenzhen) and coastal cities that were opening to foreign investment.

However, the **hukou system was not dismantled**; instead, it was modified to allow temporary migration. Rural workers could obtain temporary residence permits to work in cities, but they **remained officially rural hukou holders**, meaning they had no claim to urban public services (schools, healthcare, housing subsidies) and were excluded from the “iron rice bowl” entitlements of state workers. This created the phenomenon of the “**migrant worker**” (农民工) – a massive labor force of peasants-turned-proletarians who powered China’s factories and construction sites from the 1980s onward, but who were treated as second-class citizens in the cities. Employers eagerly hired migrants because they could pay them much lower wages than formal urban employees and offer scant benefits, knowing these workers had little legal recourse or alternative. Indeed, studies found that **rural migrants in cities earned on average 40% less than urban hukou workers in similar jobs in the 2000s, with only a small minority receiving any employment benefits**. They were often concentrated in the most dangerous and menial jobs, facing discrimination and exploitation. For a long time, **migrant labor could be exploited “without legal repercussion,”** as one analysis notes, because labor laws were poorly enforced for this group and migrants had no bargaining power. Essentially, the hukou system allowed China to have the best of both worlds economically: a stable, relatively privileged core urban workforce and a vast underprivileged underclass of migrants who kept labor costs ultra-competitive. One estimate from the 1990s calculated that when considering the lack of social benefits and lower wages, the cost of rural migrant labor was only **about 44% of the cost of regular urban labor** ⁶. This huge cost advantage attracted foreign investors and drove the **export manufacturing boom** in coastal provinces.

The 1980s–90s were thus characterized by a **massive transfer of labor from agriculture to industry and services**. By 2000, roughly **150 million** rural Chinese had migrated to cities or towns for work. This migration – though often temporary or circulatory – represented the largest peacetime movement of people in human history. It provided what economists call a “demographic dividend”: an expanding working-age population and a vast “**surplus labor**” pool that kept wages low and profits high. During this period, Chinese officials openly touted the country’s labor abundance as a comparative advantage. In the 1990s, as globalization accelerated, China became known as the “world’s factory,” largely on the back of its cheap labor. **Many economists argued that China’s large population was its biggest economic strength**, allowing rapid growth by moving tens of millions from low-productivity farm work to higher-productivity factory work. This labor migration contributed substantially to China’s extraordinary GDP growth (often 8–10% annually). Productivity surged not necessarily from cutting-edge technology, but from reallocating labor to more productive uses and from intense work effort under disciplined factory regimes.

From the state’s perspective, individual workers were still somewhat interchangeable – especially migrants from rural areas. If one worker quit or complained, another was ready to take their place. Labor protections were minimal in the 1980s–90s for the non-state sector. Workplace accidents, wage arrears, and excessive overtime were common. For instance, surveys in the late 1990s found **nearly half of migrant workers had experienced non-payment of wages for months**. Independent unions were (and remain) illegal; the only official union is the All-China Federation of Trade Unions, which is government-run and generally does not engage in collective bargaining. Wildcat strikes and protests did occur (and increased in the late 1990s as SOE layoffs began and sweatshop conditions fueled worker anger), but these were usually localized and often suppressed or mediated quietly by authorities. Thus, labor’s **bargaining power remained low**, though not absolute zero – by the 2000s, some migrant workers began to successfully strike for better pay at foreign-owned factories, and the government, concerned about instability, passed new labor laws in 2008

to improve contracts and wages. But during most of the Reform era's first two decades, the tacit social contract was that workers would accept hard conditions in exchange for the promise of a better future and the ability to send money home, while the state prioritized growth over labor rights.

It's important to highlight that even as the exploitation of labor continued in new forms, the Reform era saw **overall living standards improve markedly**. The shift to a market-mixed economy unleashed productivity; hundreds of millions were lifted out of dire poverty. Real wages for migrant labor, while low, were still higher than what subsistence farming would have yielded, which is why so many chose to migrate. Urban state-sector workers in the 1980s initially enjoyed stable jobs and slowly rising wages, though in the 1990s many faced layoffs as SOEs restructured or closed (around 30–40 million state workers were laid off in the late '90s). Those layoffs did challenge the regime's relationship with the urban working class – but the availability of private and informal jobs often absorbed the laid-off workers, again due to the vibrant economy.

By the early 2000s, China had clearly reached what development economists call the **“Lewis turning point”** – the point at which surplus labor from agriculture is largely depleted, and industrial wages begin to rise more rapidly. Research based on wage data shows that from **about 2003 onward, real wages in China's coastal manufacturing started rising consistently, even during slack seasons** – a strong sign that the era of unlimited cheap labor was ending. One study found **accelerating wage increases after 2003**, indicating that the surplus labor pool was drying up and employers had to compete for workers. Indeed, by the 2010s, factories in some regions reported labor shortages or had to offer higher pay and perks to attract young workers. This turning point was a critical shift: it meant that individual workers' value was going up in the market. For the first time, significant numbers of migrant laborers could “shop around” for better jobs or demand higher pay without being immediately replaced. Some experts pinpoint 2010 as the moment China definitively passed the Lewis point, after which double-digit annual wage growth for low-skilled jobs became common. This had far-reaching implications for the Chinese state's approach to labor and population, as discussed in the next section.

Before moving on, it's worth noting how **population policy** intersected with labor in the Reform era. In a dramatic reversal from Mao's pro-natalist stance (“more people, more power”), the Chinese government in 1980 implemented the **One-Child Policy** to curb population growth. By the late 1970s, leaders were worried that continued rapid population increase (China's population had reached about 975 million by 1979) would undermine economic gains. The One-Child Policy, enforced through incentives and often coercive measures (fines, workplace discipline, forced sterilizations/abortions in cases), succeeded in sharply reducing fertility. **China's total fertility rate fell from 5.8 births per woman in 1970 to around 2.1 by the 1980s and down to ~1.5 by the early 2010s**. This policy no doubt averted hundreds of millions of births. In the short term, it likely boosted economic growth by reducing dependency ratios (fewer children to care for per working adult) and channeled more women into the workforce. China's working-age population (15-64) swelled and the **dependency ratio** (non-working young and old vs. working) improved through the 1990s and 2000s – another key component of the “demographic dividend.” However, the **long-term consequences** began to loom: by drastically curbing birth rates, China set itself on a path to rapid aging and even potential population shrinkage. In other words, the abundant labor that had underpinned China's economic miracle was not going to last indefinitely. This was well-understood by the 2000s, and the state slowly began to acknowledge the need to adjust. In 2015, the One-Child Policy was officially ended, allowing all families to have two children (and later, in 2021, up to three children) in an attempt to stave off a population decline.

Thus, by the turn of the millennium, China stood at a crossroads. It had transformed labor into a market commodity to an unprecedented degree – hundreds of millions now freely (if under hardship) sold their labor in capitalist enterprises, something unthinkable under Mao. Labor productivity and wages were rising, signaling maturation of the economy. But these very successes brought new challenges: **labor scarcity in some sectors, a rapidly aging populace**, and the need for more skilled rather than purely abundant labor. The Chinese state now had to rethink the “labor is inexhaustible” mindset that had prevailed for centuries. In the following section, we examine the contemporary period (2010s–2020s) where these issues come to the fore, and discuss how the valuation of individual lives and labor has evolved as China’s demographic context shifts from surplus to potential shortfall.

Contemporary Period (2010s–Present): Demographic Slowdown, Labor Value, and Policy Shifts

Entering the 21st century, China reached a historic inflection in its demographic and labor profile. After decades as the quintessential **labor-rich, capital-scarce economy**, China is rapidly becoming an **aging, capital-rich economy with a shrinking workforce**. This transition is altering how both society and the state value human labor and individual lives. Key features of the contemporary period include: the peaking and now slight decline of total population; a shrinking youth cohort and workforce; rising labor costs and improved worker rights (at least on paper); and government policies scrambling to adapt, such as loosening hukou restrictions, ending birth quotas, and promoting higher productivity through automation and education. We will explore each of these developments and their implications for labor’s role.

Demographic Shifts: In 2020, China’s population reached about **1.41 billion**, seemingly its all-time peak ⁷. By 2022, official data indicated the first year of net population decline in six decades (the first since the Great Leap Forward famine). The one-child generations are now entering the workforce, meaning each successive cohort of young workers is smaller than the last. The **working-age population** (ages 15-64) actually began to decline around 2015. At the same time, life expectancy has risen to ~77 years, and the **population over age 65 has grown dramatically** – from 49 million (4.9%) in 1982 to over 150 million (10.8%) by 2016, and it’s projected to reach 300+ million (over 20% of the population) by the 2030s. This portends a heavy burden on the working population to support retirees (the so-called “4-2-1” family structure: one child supporting two parents and four grandparents). In short, China is on the verge of the same demographic challenges that have plagued Japan and parts of Europe – but at a much lower level of per capita income to cushion the impact.

These changes have already begun to **alter the state’s calculus** regarding population and labor. Where once the worry was having too many people to feed and employ, now the concern is *too few* young people to drive growth and innovation. An internal reversal is palpable: *“in contrast to the government’s original fears (of overpopulation), a shrinking population may present more problems for China than too much population growth”*. The realization is that China’s economic success was in part built on demographic momentum, and as that fades, new strategies are needed. The government has thus shifted from limiting births to actively encouraging them (though without much success so far). The One-Child Policy was replaced by a Two-Child Policy in 2015, and by 2021 even three children were allowed, accompanied by propaganda urging families to have more kids. Authorities are introducing modest incentives: longer maternity leaves, childcare subsidies in some cities, and discouraging abortions for non-medical reasons. But deep social factors (high education costs, housing expenses, changing family preferences) keep fertility low – in 2021 China’s fertility rate was around 1.3, far below replacement.

Labor Market Changes: On the labor front, the **era of surplus labor is definitively over**, at least in coastal China. Labor shortages in manufacturing hubs became seasonal norms by the 2010s. The government, while never abandoning hukou completely, has gradually relaxed it – especially in small and medium cities – to encourage urbanization and domestic consumption. For example, many cities have lowered the bar for migrants (especially skilled ones) to obtain urban residency; some provinces have abolished distinctions between urban and rural hukou. This is partly to **integrate migrants** so they will settle and spend wages locally, and partly a response to the fact that many migrants were increasingly not returning to farming anyway. The leadership recognizes that continuing to shackle labor mobility would be self-defeating when the country needs every worker it can get to sustain growth. In 2019, Premier Li Keqiang announced moves to grant urban residency to about 100 million migrants, and policies like the **National New-type Urbanization Plan (2014–2020)** aimed to incrementally reduce the urban-rural welfare gap. Still, fundamental hukou reform is slow – it **“entails breaking down China’s current dualistic structure... and universalizing social services... enjoyed by only about one third of the population,”** which is a costly and politically fraught endeavor. The inertia of the system means migrants’ children still often lack urban education access, etc. But the trajectory is toward gradually treating labor more equally, born of necessity: if migrant workers are no longer abundant, they must be *attracted* and *retained*, not just exploited and discarded.

Alongside these institutional shifts, **labor laws and protections have improved** compared to the free-for-all of the 1990s. A notable change was the 2008 Labor Contract Law that required employers to provide written contracts, set standards for severance pay, and aimed to curb abuses. Enforcement remains inconsistent, but many companies did start offering better wages and some benefits to avoid losing workers. The 2010 wave of strikes in factories (including a high-profile Honda auto parts plant strike that ended with a 24% wage increase for workers) signaled that workers – especially the younger, savvier generation of migrants – were more willing to assert themselves. The state’s response was interestingly ambivalent: while independent unions are still banned, media at the time (even state media) acknowledged that wage increases were “overdue” and necessary. Provinces raised minimum wages repeatedly in the 2010s (often by 10-20% per year). All of this contributed to an average annual real wage growth of 10%+ for Chinese manufacturing workers through much of the 2010s – something virtually unprecedented globally. By one estimate, Chinese unit labor costs (wages adjusted for productivity) roughly doubled in the decade 2005-2015. As a result, some labor-intensive industries (textiles, cheap electronics assembly) began offshoring from China to cheaper countries like Vietnam or Bangladesh. In line with this, Chinese policymakers started talking about moving “up the value chain” – relying less on plentiful cheap hands, and more on skilled labor and automation.

Valuation of Individual Lives: With higher wages and improved standards of living, the **social value of an individual life** in China has certainly risen in a tangible sense. Families, particularly those who grew up under the one-child regime, invest heavily in their single children (“little emperors”), reflecting a shift from quantity of children to quality. The government now uses language in policy documents emphasizing “human capital” and “talent” – acknowledging that future development rests on better educated, more productive individuals, not just sheer numbers. For instance, China has massively expanded higher education enrollment since 2000, producing millions of college graduates each year. This is partly to avoid a demographic wall by increasing productivity per worker. In public health and safety, there is more sensitivity than in the past; for example, scandals that reveal callous disregard for life (like industrial accidents or the Covid-19 initial cover-up) draw widespread outrage, suggesting that people expect the state and companies to value lives more than before. That said, in many areas China still has a long way to go – workplace safety is still lax (thousands die in coal mines and construction annually), and during Covid, while China

aggressively sought to save lives via “zero-Covid” for a time, it also demonstrated draconian control over individuals to achieve a collective health goal, illustrating the enduring primacy of the state’s objectives over personal freedoms.

Another axis where the value of individuals is tested is the **elderly**. As the population greys, each worker’s life is not only an economic unit but also a support for aging relatives. The government is slowly expanding pension coverage and health insurance, but the family still bears the brunt. In rural areas, the loss of young labor to cities has left many villages full of the old and children. The state has launched poverty alleviation and rural revitalization campaigns to care for those left behind. Implicitly, this is a recognition that people cannot be treated as infinitely mobile, context-less labor units – they have families and communities that require support if the labor system is to be sustainable.

Fertility Policy and Labor Force: Realizing that the workforce will shrink, the Chinese state has become almost *pro-life* in the sense of wanting more babies. The abandonment of the One-Child Policy came with admissions that the policy overshot and that an aging, declining population could harm the economy. However, lifting birth restrictions has not led to a baby boom; births remain low because of structural factors (high cost of living, career considerations, etc.). This has led to discussions of more radical incentives: cash bonuses for births, tax breaks, subsidized childcare, and even proposals for state-sponsored IVF or encouraging immigration (still a tough sell in China). The very fact that Chinese policymakers are considering such measures is striking – it signifies an inversion of the “population burden” narrative to a “population asset” narrative once more, but this time focusing on *quality and sustainability* of the labor force. Unlike in Mao’s day when leaders boasted about not fearing the death of millions, today’s leaders are more likely to worry that **each lost or unborn citizen is a lost contribution to China’s future**.

In sum, contemporary China is at a juncture where **labor is no longer a super-abundant commodity** but a somewhat scarcer resource that needs to be allocated more efficiently and nurtured. The government’s policies – from hukou reform to pro-natal measures – reflect an increased appreciation for the **value of human capital**. Yet, elements of the old attitude linger, especially in authoritarian controls: individuals are still expected to conform and sacrifice for collective goals (as seen in harsh lockdowns or continued suppression of independent labor organizing). The coming decades will test how far China transitions to a truly **“inclusive” approach to labor** – one where workers have rights, social security, and voice – versus retaining an **extractive approach** under new guises (e.g., high-tech surveillance to maximize productivity, gig economy labor without protections, etc.).

Having chronicled the long arc from imperial times to today, we can now turn to a theoretical analysis: how does the Chinese historical experience relate to the framework put forth by Daron Acemoglu and James Robinson in *Why Nations Fail*? We will examine to what extent China’s story of labor, institutions, and demography aligns with, extends, or challenges their notions of extractive vs. inclusive institutions, the role of labor power, and responses to shocks.

Analysis through the *Why Nations Fail* Framework: Extractive Institutions, Labor Power, and Demographic Shocks

Acemoglu and Robinson (A&R) argue that the fate of nations hinges on their institutions. **“Inclusive institutions”** – those that broadly distribute power, uphold the rule of law and property rights, and allow wide participation in the economy – foster prosperity. **“Extractive institutions”** – those that concentrate

power and wealth in the hands of a few and exploit the rest – lead to stagnation or short-lived growth at best. In this section, we map Chinese historical patterns onto these concepts, particularly focusing on labor relations and how demographic forces have influenced institutional dynamics. China presents a fascinating case: on one hand, it had one of the longest-running centralized states in history (which A&R would classify as politically extractive for most of that time), yet it was often the world's richest or one of the most advanced regions in premodern eras. In modern times, China's authoritarian governance coexists with dramatic economic growth – a combination that seems to challenge the idea that only inclusive institutions lead to success. We will explore several themes: the generally extractive nature of imperial Chinese institutions and its consequences; instances where labor scarcity or demographic crises forced “inclusive” tweaks to the system; the Maoist period as an extreme case of extraction (and its eventual self-correction); and the Reform era as a partial institutional inclusion (economically) that fueled growth, consistent in some ways with A&R's model. We will also consider the current situation and future prospects, as China's institutional trajectory may be at a crossroads, testing A&R's predictions.

Imperial China – Extractive by Design: By A&R's definitions, imperial China overwhelmingly featured **extractive political and economic institutions**. Politically, power was monopolized by the emperor and a small elite (whether hereditary nobility in early periods or the scholar-official gentry later under the civil service exam system). The vast majority of people had no say in governance. Economically, while private property existed, the state and elite landowners often encroached on peasant rights – through taxes, corvée, and arbitrary exactions. There were checks (like customary rights, or paternalistic norms requiring granary relief in famines), but these were not binding constraints on elite power, rather benevolent practices at times. The ruling class – whether aristocrats, warlords, or mandarins – extracted surplus from the peasants in the form of rent and tax, typically leaving peasants with subsistence. Innovation and creative enterprise were not broadly encouraged except when they served state interests, and sometimes were stifled if seen as threatening (for instance, the Ming ban on large-scale private maritime trade in certain periods). Commerce and urban craftspeople had periods of flourishing (Song Dynasty notably saw inclusive economic vibrancy in cities with robust markets), but always under the shadow of state control and elite dominance. Crucially, Chinese rulers maintained a stranglehold on **labor mobility** for long stretches – through institutions like the *baojia* household registration in Qing or the hukou in PRC – preventing the kind of free labor markets that characterize inclusive economic institutions.

The consequences of this extractive setup align with A&R's theory in several ways. China's early technological leadership (e.g. Song inventions like gunpowder, printing, compass) did not translate into an industrial revolution or sustained per-capita growth, arguably because **extractive institutions failed to provide incentives for broad innovation** and instead allowed elites to simply take more from more people. As noted, from 1250 to 1800, China's population boomed but living standards stagnated. This is a textbook outcome of extractive systems: any growth (in total output) was achieved by adding more labor and land under cultivation, not by increasing productivity per person – and that extra output fed the elite coffers or supported more population, not improvements in the populace's welfare. In *Why Nations Fail*, the authors indeed discuss late imperial China as a society that fell into technological stagnation under a centralized bureaucracy that ultimately became resistant to change ⁸. One can see the periodic **dynastic collapses** due to peasant rebellions (e.g. end of Sui, end of Yuan with Red Turban rebellion, end of Ming with Li Zicheng's rebellion, Taiping Rebellion in late Qing) as a pattern where extractive pressure built up until it caused an explosive reset – consistent with A&R's notion that extractive regimes are prone to instability and conflict, as excluded groups eventually lash out.

However, China's case also **extends** A&R's model in some nuanced ways. A&R emphasize the binary of inclusive vs extractive, but imperial China shows that an extractive regime can endure and even prosper for long periods by maintaining a certain balance. For example, the Chinese imperial exam system (keju), introduced in the Sui/Tang and expanded in Song and after, was a mechanism that gave some talented commoners a path to join the elite. This was not "inclusive" in a democratic sense, but it prevented ossified hereditary aristocracy and brought fresh blood into governance based on merit (to an extent) ⁸. One could argue this made the political institutions more **pluralistic at the elite level** (if not broadly inclusive) and thereby more resilient, delaying "failure." The Qing Dynasty's relatively enlightened early rulers (like Kangxi and Qianlong) invested in public goods (grand canal repairs, flood control, granaries) to keep peasants alive and farming, which suggests they understood that **extracting too much would kill the golden goose**. In A&R's terms, the Qing may have been extractive, but with occasional **inclusive economic elements** (encouraging internal trade, protecting smallholders somewhat, integrating new regions) that allowed it to sustain growth in the 18th century. It's a reminder that the extractive-inclusive spectrum can have gradations. Chinese history provides cases of what one might call **"temporarily inclusive" interludes under an extractive umbrella** – for instance, after huge demographic shocks, as we saw, rulers had to adopt more inclusive measures (land grants, tax breaks, light corvée) to rebuild. These measures improved labor's lot for a generation or two until population pressure and elite capture reversed them. This cycle of reform and regression is something A&R note in other contexts (they call it "institutional drift" and reversion to extractive norms), and China exemplifies it.

Labor Bargaining Power and Institutions: A&R highlight that inclusive institutions empower broad segments of society, giving them bargaining power and stake in the system, whereas extractive ones disenfranchise them. Chinese history largely corroborates this: Chinese workers and peasants had almost no formal bargaining power under imperial and Maoist extractive systems, and indeed they reaped few gains in income or rights. Only when demographic or economic conditions externally improved (like less population = more land per peasant, or post-Mao reforms allowing some negotiation of wages) did their situation improve. A&R frequently cite the example of the **Black Death in 14th century Europe** empowering peasants because labor became scarce. Did something similar happen in China's 14th century (after Mongol rule and plagues)? Historical records do indicate that Ming founder Zhu Yuanzhang was relatively favorable to peasants early on: he distributed land and tried to freeze rents, an attempt to lock in peasants' improved bargaining position after the population loss. But over time, as Ming population recovered, landlords regained leverage, illustrating how quickly labor's bargaining power evaporated when abundance returned. Another telling episode is the **post-Taiping Rebellion period**: in some regions of central China, the scarcity of labor and abundance of land meant survivors could negotiate lower rents or become owner-cultivators. Yet by the late 19th century, as population grew, many became tenants again under new landlords or the gentry-led militias that emerged (the *xiangyong* or local army leaders often took over land). So again, labor bargaining power in China historically has been fleeting and contingent on shocks rather than institutionalized rights. This is fully consistent with A&R: whenever a window opened for greater bargaining power (due to shock), China lacked durable inclusive institutions to cement those gains, so elites eventually reasserted control.

One potential **challenge to A&R** using China could be: China often achieved impressive state-led feats (like massive infrastructure or a cohesive market early on) that some scholars argue were beneficial, even if institutions were extractive. For instance, political centralization under Qin or Sui, though brutal, did unify China and arguably laid groundwork for future prosperity (the canals built by Sui at terrible human cost later underpinned Tang economic integration). A&R's framework might see only the extractive cost, but not

the long-term benefit. They would likely counter that inclusive methods could have achieved growth without the human toll, but history didn't provide a control experiment.

Modern China and A&R's Theory: The period from 1949 to today in China offers a rich test of *Why Nations Fail*. The Communist revolution destroyed the old landlord class (eliminating one form of extractive institution), but replaced it with a one-party state (arguably another extractive institution, politically). Maoist China was extremely extractive economically – the state took surplus from both peasants and workers to invest in heavy industry, while politically it brooked no opposition. A&R would predict such a system to produce poor long-run results, which was true by 1976: China was economically stagnant and scarred by famine and violence (the Cultural Revolution). Indeed, A&R describe Mao's China as an example of an attempt at "communist" extractive institutions that failed to generate prosperity, similar to the Soviet Union.

However, **post-1978 China** is more complex. Deng Xiaoping and subsequent leaders introduced **inclusive economic institutions to some degree** – they allowed private enterprise, market pricing, foreign investment, and gave individuals freedom to choose jobs (at least compared to the Mao era). James Robinson himself has noted that China's growth after the 1970s happened "*exactly because economic institutions were moved in [a] more inclusive direction*". For example, farmers could keep profits, entrepreneurs could start companies, and later, property rights were strengthened for businesses. These changes align with many inclusive features A&R emphasize: stronger incentives for innovation and effort, more participation in markets by broad segments of society, etc. But politically, China remained authoritarian – not inclusive in the A&R sense of broad pluralism. A&R's prediction for such a scenario (sustained extractive politics with partially inclusive economics) is that growth can occur for a while, but it might be unstable or reach a limit. In *Why Nations Fail* (2012), they indeed argued that China's boom was likely unsustainable unless political institutions became inclusive. They drew parallels to the rapid but ultimately stagnating growth of the Soviet Union, or South Korea under dictatorship (which only fully prospered after democratizing, by their account).

So far, China's growth has lasted several decades, outperforming the Soviet timeline, which some view as a **challenge to A&R's emphasis on political inclusion**. But it might be that the reckoning is simply yet to come. Recent developments lend some support to A&R: China's economy has markedly slowed from the double-digit highs, and problems like corruption, debt, and inefficiencies of state enterprises (all linked to lack of inclusive checks and balances) have grown. A&R might say China is approaching the point where the extractive political structure will hinder further innovation – for instance, crackdowns on tech companies and tighter Party control over the economy under Xi Jinping could stifle the very entrepreneurship that drove earlier growth. There's also the risk of a "**stationary bandit**" scenario turning into a "**roving bandit**" scenario if political infighting or succession crises occur (i.e., if the centralized extractive power falters, disorder could unravel gains). So the jury is still out, but A&R's framework remains relevant: it predicts that without inclusive reforms, China may face stagnation as the old model exhausts itself.

Regarding **labor power in modern China**, one could argue that the Reform era allowed a quasi-inclusion by empowering people to choose jobs and migrate – a freedom that did improve their bargaining position eventually. But the continued ban on independent unions and the heavy suppression of labor NGOs (for example, arrests of worker organizers in Guangdong in 2015) show that the Party does not allow labor to become an independent political force. In A&R's terms, the ruling elite (the Communist Party princeling class and aligned capitalists) remain extractive in that they do not share power with workers. What has happened is that to keep extracting (or to keep stability), they have granted workers some material improvements. This is reminiscent of the "**authoritarian bargain**" or what A&R call limited "**relatively**

inclusive economic institutions under an extractive political system”. Historically, that bargain can deliver growth but is precarious. As China’s workforce shrinks and ages, labor might demand a greater voice (there have been rising incidents of labor protest over layoffs, pensions, gig economy conditions, etc.). If the state does not accommodate these inclusively, the conflict could increase or the efficiency of the economy could suffer because discontented, unempowered workers are not as productive or innovative as empowered ones.

Demographic Shocks and Institutional Change: Chinese history strongly illustrates how **shocks like massive population loss can change the institutional equilibrium**, albeit sometimes briefly. A&R discuss how the Black Death led to the decline of feudal serfdom in Western Europe because peasants could demand freedom and wages, whereas in Eastern Europe it led to a second serfdom because nobles doubled down on extraction. In China’s case, after the Mongol devastations and the Black Death, the Ming began with relatively pro-peasant policies (lower rents, more land rights), hinting at an inclusive turn, but it didn’t last – possibly because the centralized imperial system allowed the elite bureaucracy to reassert control, whereas in Western Europe the fragmentation allowed more sustained freedom for peasants in some regions. Similarly, after the Taiping rebellion, one might have expected some lasting changes: indeed, the late Qing initiated the “New Policies” reforms in the 1900s which included modernizing the military, industry, and even considering a constitution – arguably a move towards inclusive institutions (too late to save the dynasty, though). One could posit that had Qing not fallen in 1911, it might have evolved into a constitutional monarchy with more inclusive governance (like Japan did). Instead, war and revolution intervened, bringing another form of extractive rule (the warlord era, then Nationalists, then Communists).

The Mao-to-Deng transition is also interpretable as a reaction to crisis: the Cultural Revolution chaos and near collapse of the economy in 1976 was a “shock” that convinced elites to adopt radically new policies (Reform and Opening). Deng Xiaoping essentially introduced elements of inclusive economics (markets, private incentives) to save the Party’s rule – a conscious top-down adjustment to avoid failure. This aligns with A&R’s idea that **fear of losing power can drive elites to allow just enough inclusion to preserve the system** (as the Qing did with late reforms, or South Korea’s dictatorship did by eventually allowing democracy under pressure). The CCP’s adaptation in 1978 was successful economically, but they did not follow through politically – raising the question of whether that will ultimately cause failure or force another adaptation (perhaps the CCP’s own kind of late Qing moment sometime in the future).

In conclusion, examining China through the A&R framework:

- **Supports their model:** The general trend that extractive institutions dominated Chinese history and led to a pattern of high output but low per-capita gains and periodic collapse fits A&R. The fact that China’s recent growth spurt coincided with an opening of economic institutions (farmers’ rights to output, private businesses, FDI, competition) also supports their view that inclusion (even limited) drives prosperity. Moreover, China is now showing signs (environmental crises, inequality, slowing innovation) that could be attributed to the limits of extractive governance.
- **Extends their model:** China’s example extends A&R by highlighting the role of demography in the inclusive-extractive balance. An abundance of labor made it easier for institutions to remain extractive (elites had less incentive to change), whereas scarcity created leverage for reform. It shows how an external factor like population can modulate institutional outcomes, something A&R acknowledge but perhaps underplay relative to their heavy focus on institutions themselves. Also, China illustrates that a state can be highly centralized (extractive politically) yet last long by using

certain stabilizing measures (meritocratic bureaucracy, ideological legitimacy like Confucianism or nationalism) – suggesting that not all extractive regimes collapse quickly; some manage a **measured extractive equilibrium** for centuries, though arguably at the cost of technological stagnation.

- **Challenges their model:** The obvious challenge is modern China's sustained economic boom under authoritarian rule. A&R would likely respond (and have) that China's growth is "despite" not "because of" its extractive politics – essentially a one-off allowed by China's willingness to use global technology and its large labor pool, but one that will stall without institutional change. Indeed, Robinson in 2024 (now a Nobel laureate) reiterated that view, insisting China's success owes to *inclusive economic moves within an authoritarian context*, and that the ultimate test is whether it transitions toward truly inclusive institutions or hits a wall. As of mid-2020s, with Xi Jinping concentrating power further (a more extractive political turn) and the economy cooling, one could argue the challenges A&R foresaw are materializing. The coming decades will either reinforce A&R's theory (if China stagnates or has crises due to its institutions) or perhaps force a re-evaluation (if China finds a way to remain dynamic without Western-style inclusion, or if it successfully reforms politically).

In terms of **labor bargaining power**, A&R's emphasis would be that without inclusive political institutions, Chinese workers and peasants historically lacked any formal power. Change only came when elites granted it or when catastrophe struck – not through incremental bargaining as seen in inclusive societies (like labor movements forcing reforms in Western democracies). The brief early 20th-century labor upsurge that was crushed, and the Tiananmen protests of 1989 (which had significant worker participation and were crushed), underscore that whenever labor tried to assert itself independently, the extractive state responded with force. That remains true today; hence labor's influence on policy is indirect at best (filtered through the Party's calculations of maintaining stability). This reinforces A&R's point that **broad prosperity is hard to maintain when the majority have no voice** – eventually their discontent or lack of buy-in can destabilize the system.

In summary, applying *Why Nations Fail* to China reveals a complex picture but largely validates the framework's core ideas. Chinese history offers a vivid long-term case of predominantly extractive institutions yielding cyclical strength and weakness, and recent decades illustrate both the potential of limited inclusion and the perils of remaining extractive. The state's historical view of labor as a renewable resource fits into the extractive pattern, and the current shifts indicate that to sustain progress, China will need to place higher value on each individual – essentially moving towards more inclusive practices, whether or not it ever adopts full democracy. If it fails to do so, A&R's theory would predict a difficult road ahead as the old model runs out of steam. If it does manage to reform institutions in a more inclusive direction (even within a one-party framework), it would in effect be confirming the necessity of inclusion for long-term prosperity. In either case, examining labor and population in China's history through this lens underscores A&R's contention that who holds power in society – and how they use or relinquish it – is central to understanding economic outcomes.

Conclusion

The saga of labor in Chinese history is one of epic scale and dramatic transformations. From the early emperors who coerced millions to build walls and canals, regarding human toil as the cheapest input, to the modern factories where migrants sell their work for wages under evolving regulations, the worth accorded to individual lives and labor has continually shifted with China's demographic and institutional tides. For

over two millennia, China's rulers operated under the assumption (often valid in context) that **people were plentiful** – more so than arable land or capital – and thus labor could be expended lavishly. This led to astonishing feats: ancient irrigation systems, grand imperial palaces, a standing army that subdued foes, and in modern times, an export machine that flooded the world with affordable goods. But it also meant that human costs were frequently staggering, and personal freedoms scant. The history detailed in this report showed that only in moments of **population scarcity or social collapse** did the value of the individual rise perceptibly on the state's ledger, prompting reforms and a kinder hand – until the population grew again or control was reasserted.

In the 21st century, China stands at another historical pivot. The combination of the **One-Child Policy's demographic legacy** and the maturation of the economy has made labor a relatively scarce resource for perhaps the first time on a national scale. The Chinese state's calculus is visibly changing: policies now aim to **encourage each birth, retain each worker, and boost each person's productivity**. The hukou system, once an instrument to confine and exploit surplus rural labor, is gradually loosening as the surplus dries up. There is greater recognition that an educated, innovative workforce – not just a numerous one – is key to the next phase of development. This may herald a new era (one cautiously hoped for by many observers) in which the relationship between the state and its people becomes less extractive and more **investitive** – investing in human capital and welfare to sustain prosperity. Already, China's leadership has framed initiatives like “Common Prosperity” to address inequality and excessive exploitation, indicating an official acknowledgment that the well-being of each citizen matters for the nation's stability and progress.

Whether China can successfully navigate this transition while maintaining its political model is a question that intertwines with Acemoglu and Robinson's thesis. Chinese history provides supporting evidence for *Why Nations Fail* in demonstrating the pitfalls of extractive institutions – from peasant uprisings against oppressive dynasties to the ultimate implosion of Mao's overreach – and the boost that even partial inclusive moves can give (as seen in the post-1978 boom). At the same time, China's experience tempers the theory with nuance, suggesting that **state capacity and strategic reforms** can sometimes prolong the life of extractive systems or temporarily deliver results, though often with an eventual reckoning. The ongoing demographic and labor shifts could indeed be that reckoning: as China can no longer rely on ever-increasing quantities of labor, it may find that the quality of institutions – inclusive or not – determines if it will continue to thrive or hit a developmental ceiling.

In conclusion, the story of labor power in China from imperial times to the present is a testament to the profound impact of population dynamics on a civilization's political economy. Abundance of labor enabled China's rulers to build great works and sustain empire, yet it also tempted them into a cycle of over-extraction that undercut long-term advancement. Scarcity of labor, when it arose, sometimes empowered the people and prompted reforms, but often only fleetingly. Today, as China faces a future with fewer children, more retirees, and a more educated but more assertive workforce, the “renewable” labor resource is no longer infinite. The state's valuation of individual lives – as seen through policy changes on hukou, labor law, and family planning – is rising out of pragmatic necessity. How far this revaluation goes, and whether it is accompanied by more institutional inclusion, will shape China's trajectory in the decades to come. One thing is clear: the era of treating China's labor as an undifferentiated, endlessly replaceable mass is ending. In its place, a new social contract must emerge, one that recognizes that each worker is also a citizen with rights and an individual with aspirations. The longevity of China's prosperity may well depend on how this new balance is struck – echoing lessons from its own rich history and from global patterns of why nations succeed or fail.

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