

Historical background

- Impossible to understand Chinese economy and growth miracle since 1978 without basic knowledge of specificity of institutions (political, legal, culture) in communist China.
- To understand current institutions in China, it is extremely useful to understand Chinese history and the specificity of Chinese institutions across time.
- Without going into detail in Chinese history, highlight some of these specificities.

As early as the Shang dynasty...

- The earliest dynasty on which we have historical information is the Shang dynasty (1600 BCE-1046 BCE). Berkeley historian Keightley was one of the best world specialists of that period.
- Many features of Chinese institutions through history are already present in Shang dynasty and its successors (Zhou, Qin, Han, ...).
- North China mostly the center of early Chinese civilization. Around Yellow River.



Historical background

- Economic conditions were quite homogenous. East-West flow of rivers. Similar agricultural conditions within boundaries of Empire.
- Similar conditions made trade less advantageous, but encouraged collective work and specialization.
- Agrarian society. No private property of land, but mobilization of peasants in the service of the ruler.
- Evidence of stronger specialization in artisanal work (pottery, bronze, ...)
- Strong cultural homogeneity and relative isolation from outside (only frictions with Northern nomads).

Harmony, hierarchy and ancestor worship

- General optimism of the time led to benevolent view of Emperor. View of harmony as linked with hierarchy.
- Hierarchy (ranking) among ancestors reflected rankings within society. Ancestors ranked higher than the living.
- Strong ancestor worship made it possible to legitimize imperial regime and bureaucracy. Emperor had direct access to own ancestors without intermediary of priests.

Society and culture

- Early Chinese cities were associated with ruling clans ruled by kinship, with internal hierarchy. Commercial activity less important.
- Clan chiefs linked to Emperor.
- Kinship and hierarchy more developed than class or caste.
- Confucianist philosophy, developed during Zhou dynasty (Spring and Autumn period), formalized many of the existing cultural norms: filial piety, hierarchy within family and society, duties of sons, fathers, emperors. Importance of benevolence and rites. Optimism that humans can be good and be improved. Nobility of virtue instead of blood.

Confucianism

- Confucianist philosophy embraced large parts of what is today known as collectivist culture:
 - Humans are social beings defined in relation to others;
 - The world is stable but individuals are infinitely malleable
 - prestige is associated to how well one adapts to society.

Legalism

- Qin dynasty (221-206BC) propagated legalism: “rule by law” instead of “rule of law” .
- Law used to submit people to the Emperor and the state. Lists of strict punishments for particular behaviors. Valid for ordinary people, but also at court.
- Chinese history has oscillated between Confucianism and legalism, often relying on both.

Meritocracy

- A very important institution was the Imperial exam system as recruitment tool for bureaucrats.
- Started in Han dynasty (206 BC –AD220), was generalized in Tang dynasty (618-907) and existed until abolished in 1905.
- Assured competence and merit in promotion. Key element in quality of government administration.
- Content of exams fostered conservative thinking.

Key elements of state organization

- Starting from the Qin dynasty, subnational government officials were designed by the Emperor as a tool of strategic control over the territory.
- Because of distance and bad communications, they had a lot of autonomy, which necessitated self-contained administrative structures.
- Central administrative departments were replicated at the local level.

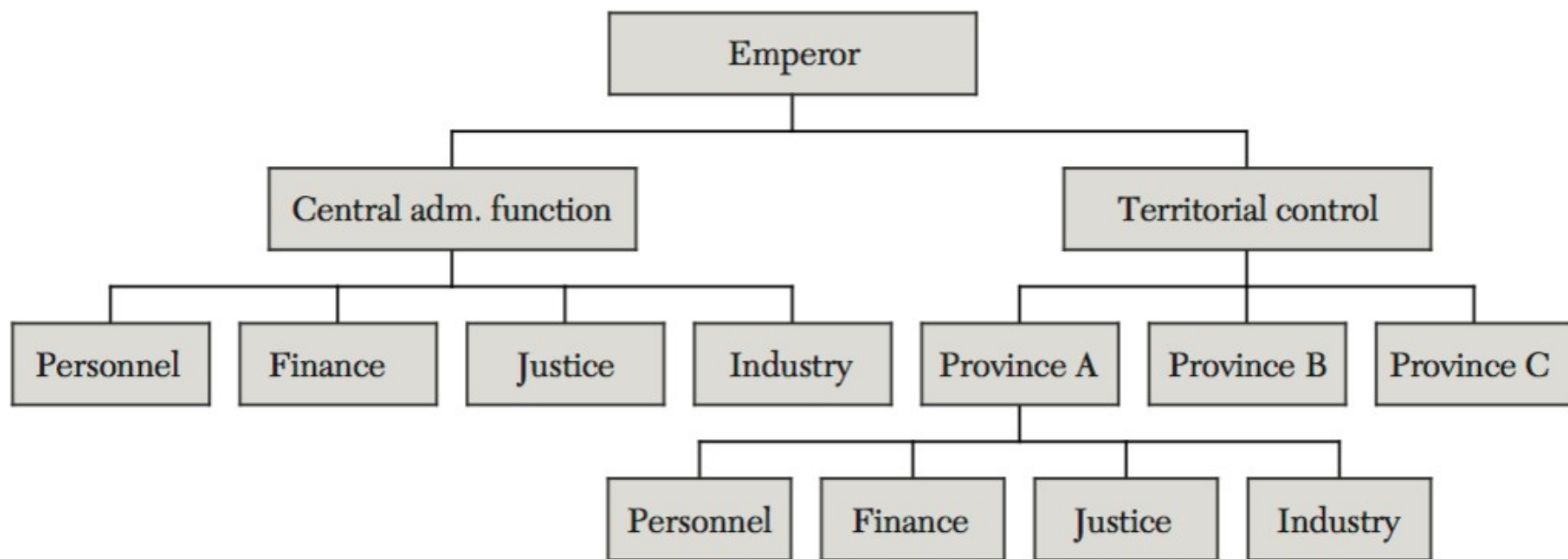


Figure 3. Stylized Governance Structure of Imperial China

Time Line

- Basic facts and major events
 - -1840 (pre-modern period)
 - 1840-1911 (pre-Republic period)
 - 1911-1949 (Republic)
 - 1949-1978 (People's Republic, pre-reforms)
 - 1979-present (People's Republic, post-reform)

Historical Perspective of China's Economic Position in the World

- 1000 A.D. (Song Dynasty): China among the richest in the world
- 1820 A.D. (Qing Dynasty): China's total GDP possibly still the largest in the world
- 1950 A.D. (at the inception of the People's Republic): China's total GDP smallest in history
- 1978 A.D. (at the inception of the reform): China's per capita GDP very low

Pre-Modern (-1840)

- During Song Dynasty (northern 960-1126; southern 1127-1279) China had the highest per capita production and income in the world, but declined since. A big puzzle.
- “Anyone who looked at the world, say a thousand years ago, would never have predicted great things for this protrusion at the western end of the Eurasian landmass that we call the continent of Europe. ... the probability at that point of European global dominance was somewhere around zero. Five hundred years later, it was getting close to one.” (David Landes, *The Wealth and Poverty of Nations*, 1998)

Pre-Modern (-1840)

- Scarcity of animals in agriculture compared to Europe.
- High productivity of land, but not of labor.
- Sophisticated system of waterways (Grand canal)
- Strong role of large clans in the economy.
- Low social stratification and high social mobility.
- Population grew from 72 million in 1400 to 310 million in 1800 and political stability assured stable incomes.

Pre-Republic (1840-1911)

- China's **modern** history related to “international trade”.
- Britain was dominant world power early 19th century. Was unhappy with Chinese trade surplus leading to large flow of silver into China. Exported opium to China through Hong Kong to balance trade.
- China prohibited opium, leading to British aggression. China was defeated in the Opium War of 1840.
- Treaty of Nanking (1842) conceded Hong Kong, opened first 5 Treaty ports, allowed extraterritorial rights in Chinese territories (foreign exemption from Chinese domestic laws)
- Many other unequal treaties ensued with Germany, France, Japan.

Pre-Republic (1840-1911)

- Taiping rebellion (1850-1864), more than 20 million dead) was a major event leading to the end of the Qing dynasty that needed support in crushing the rebellion.
- Sino-Japanese war of 1895: Japan seized Taiwan.
- Crushing of Boxer rebellion further weakened imperial government.
- China paid reparations in all the wars it lost and Qing dynasty collapsed in 1911.
- Opening to outside world led to national humiliation.
80 Treaty ports at some point.

Republic (1911-1949)

- 1911: Ending of Qing Dynasty and beginning of the Republic of China
- 1911-27: Warlords divided China
- 1927-37: Ten years of relative peace under KMT rule.
- 1937-45: Sino-Japanese war
- 1945-49: Civil war

Two patterns of industrialization (1912-1937)

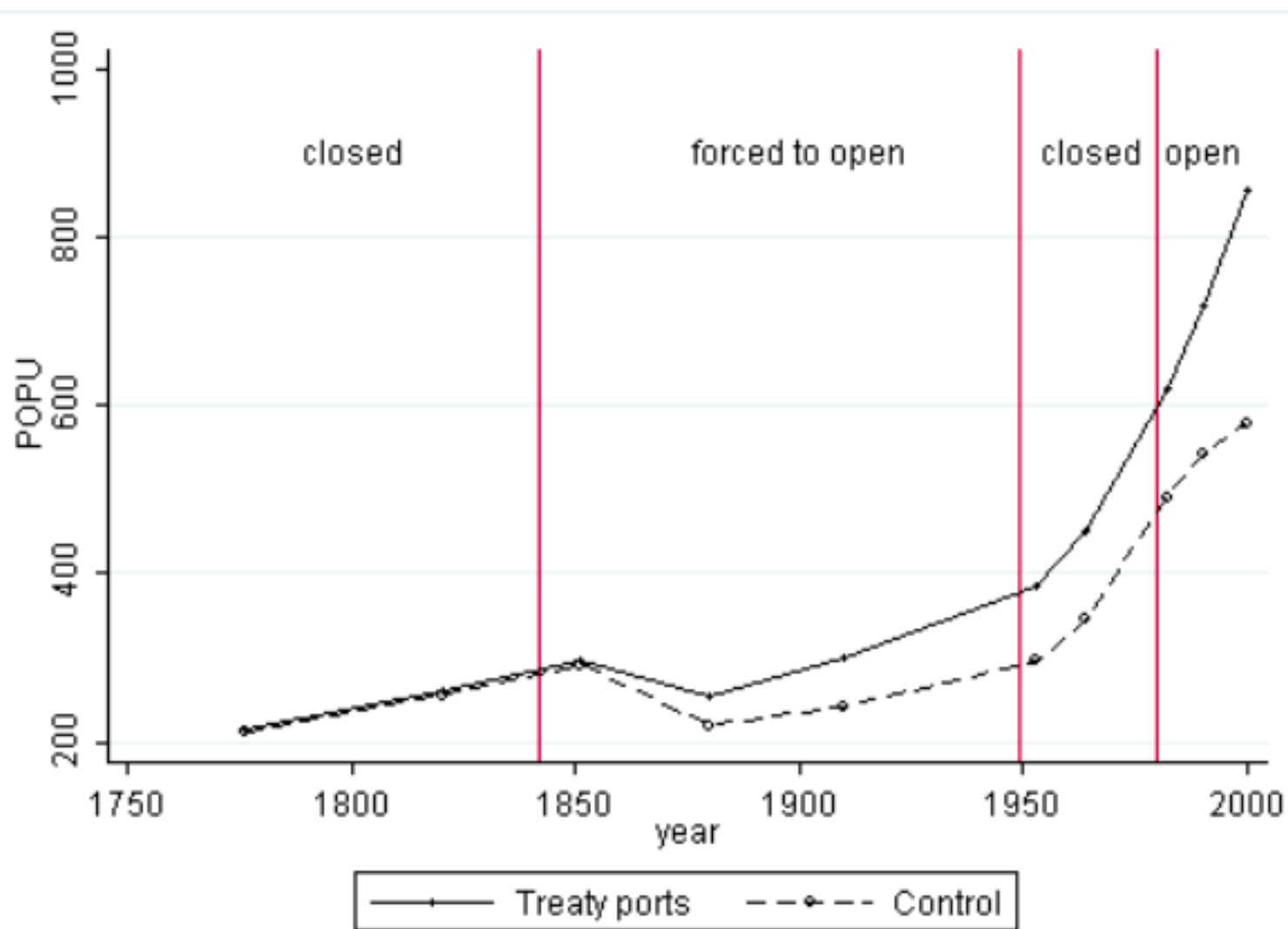
- South of the Great Wall
 - Concentrated in a few treaty ports (Shanghai, Tianjin, Qingdao)
 - Textile, food products for domestic markets
 - Firms started by foreigners but native Chinese capitalists soon became a major force
- Northeast
 - Japanese government-sponsored industrialization
 - Heavy industry and railroads to exploit coal and iron ore for the Japanese market

Table 2.1
Two patterns of industrialization

	China proper	Manchuria
Market	Domestic China	Japanese industry
Ownership	Chinese, foreign	Foreign
Structure	Light, consumer goods	Heavy, mining, producer goods
Skill formation	Steady accumulation	Little transfer of skills
Linkages	Backward	Few or none

Jia (2014)

FIGURE 2B. – TRENDS OF POPULATION SIZE FROM 1776 TO 2000: COMBINING WAVES



Legacy of pre-1949 economy

- Initial economic conditions in 1952
 - Heavy industry base in Northeast China inherited from the Japanese
 - Light industry in a few port cities
 - On average a very poor peasant economy
 - Major industrialization indicators even lower than India

Comparisons: China (1952) vs. India (1950)

	India 1950	China 1952
GDP per capita (\$)	60	50
Population (million)	573	358
Industrial output per capita		
Coal (kg)	97	96
Steel (kg)	4	2
Electricity (kw)	0.04	0.005
Cotton spindles		0.01