

In Search of a Long-Term Development Path for China: Starting from Differences between Assigning Responsibility and Contracting

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探寻中国长远的发展道路：从承包与合同的区别谈起

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Abstract

The “third sphere” born of the interacting of a market economy with a centralized state, and of a system of market contracting 合同 with administrative “assigning responsibility” 发包/承包, has become a key characteristic of the new political-economic system of Reform China. It has imported the private enterprise market economy of the modern West, but has also retained the (revolutionary) tradition of a socialist party-state and its ownership of the principal means of production. Its administrative system resembles more and more the modern West’s (Weberian) bureaucratic system, but it has also retained the traditional imperial Chinese “centralized minimalism” and “parcelized despotism” characteristics. It cannot be grasped by the either/or dualistic opposites mode of thinking, but can only be understood in terms of the combining and interacting of dualistic opposites. The combination may be understood as one concrete and substantive meaning of the officialized term of a “socialist market economy.”

Keywords

market contracting and administrative assigning of responsibility, “centralized minimalism,” “parcelized despotism,” dualistic wholes, the third sphere

摘要

在市场经济与集权的国家体系、市场合同与行政发包/承包两者结合的框架中，由国家与社会间互动所产生的第三领域和其运作机制，已经成为中国新型政治经济体系的一个关键特点。它既引进了现代西方的私营企业市

场经济，也保留了(革命的)社会主义政党国家体系以及主要生产资料国有的制度。它的行政体系既趋向类似于(韦伯型的)现代西方科层制，又带有(古代)中国的“集权的简约治理”和“分块的集权体系”特色。它不可能通过中西二元对立非此即彼的思路来认识和理解，须要从二元合一的思维来掌握。一定程度上，它可以被认作“社会主义市场经济”官方用词的一个具体和实质含义。

关键词

市场合同与行政发包、集权的简约治理、分块的集权体系、二元合一、第三领域

On the one hand, China today is still governed by a Communist party-state with highly centralized power, only modestly checked by legislative and judicial powers.¹ The state continues to own the principal means of production, most especially all land and other major natural resources in the country. It also retains strong controls over capital, with a tightly centralized system of financial institutions. It remains to a considerable extent a socialist state, even if it has largely turned away from a planned economy. On the other hand, there is also a vigorous free market economy, in which private enterprises account for about 60 percent of the total non-agricultural domestic product, and small family farms making their own management decisions and producing mainly for the market account for most agricultural production, even though they do not own their farmland. How are we to think about such a mixed picture, at once socialist and yet marketized, at once traditional (imperial and revolutionary) Chinese and yet similar to Western market economies?

In light of the great differences between socialism and capitalism, do we insist on either one or the other as the only “correct” or “true” path, to the exclusion of the other? Do we propose or assume either teleological Westernization, or its opposite of teleological Sinification, as so much of modern and contemporary Chinese thinking (as well as Western scholarship on China) has tended to do? If not, what is a possible point of view that would better capture the fundamental reality in present-day China of the coexistence and mixing of the Western and the Chinese, the modern and the traditional, and the capitalist and the socialist?

This article explores an alternative implication of the coexistence of the two to ask: Can we conceptualize a lasting combination of the two? Can we look toward a combination that is not just coexistent but also interactive, mutually shaping, and

1 This article follows up and expands on the author's three-volume study (awaiting publication) in Chinese of China's new peasant economy, new justice system, and new informal economy (Huang Zongzhi, n.d., a, b, c). I have not provided citations for discussions documented in detail in the texts of those three books but have provided, for the convenience of the English-language reader, references to my most important English-language articles on some of the major topics discussed in this article.

perhaps even forming a whole greater than either one or the other? How might the Western and the Chinese be joined in ways that best release the creative energies of both? Can we truly break out of the customary either/or mode of thinking when confronted with dualistic opposites? Can we see the outlines of a different whole? What might that look like?

Before launching into an exploration of those larger questions, however, we need first to clarify the differences between the contracting 合同 mode of operation of market economies and the administrative assigning of responsibility 发包/承包 mode of the present-day Chinese socialist party-state. The two terms are often used interchangeably, or as a joined compound (e.g., “responsibility contract” 承包合同), causing much confusion. We need to begin by clarifying the substantial differences between them before we can talk about how they, as well as the market economy and the socialist party-state, might be joined together in novel ways.

Contracting Versus Assigning Responsibility

The term “contracts” has at its core the idea of a legally enforceable agreement in a horizontal relationship between two parties of roughly equivalent bargaining power, something that originated mainly in the commercial exchange activities of market economies. “Responsibility assignments,” on the other hand, has mainly to do with a vertical relationship between the state assigning responsibility 发包 to a particular person or entity taking on that responsibility 承包 (e.g., an official or a peasant [household]), albeit granting at the same time to that entity a good measure of independent “powers” 权力—a term that is often not quite accurately expressed as “rights” 权利, which suggests protections and guarantees in law and by the courts, more appropriately used for “contracts” than for responsibility assignments.

Contrast in Historical Background

There is, first of all, the sharp contrast between the origins of the two concepts. In the West, as noted above, it was a matter of a relationship between equal market exchange entities. In China before the Communist Revolution, there had also been fairly wide use of contracts similar to those of the West (Zelin, Ocko, Gardella, 2004). The starting base of responsibility assignments (as well as of contracts) in China of the Reform period, however, was very different. Virtually all means of production, especially land, had been socialized under state ownership by “socialist transformation.” Starting from that socialist base, the Reform period has seen the state’s decision to modify the socialist planned economy into a “socialist market economy.” It began with the state’s decision to separate out ownership rights (by the state and or the collective) of farmland 土地所有权 from its management powers 经营权, and to assign the latter to the peasant household. Assigning or taking

on a responsibility was and remains a vertical relationship between the above and the below, not a contract between equivalent parties with equal bargaining power. The assignment of “responsibility land” 责任田 to peasants came originally with multiple obligations (initially, including obligatory tax payments and even obligatory labor), even though the state also granted or assigned to peasant households managerial powers over what to produce and how to produce it, though still subject to constraints and the ultimate authority of the socialist party-state. As Zhao Xiaoli, after an examination of a body of “responsibility assignment contracts” 承包合同 and court cases stemming from disputes over those, pointed out incisively: those, including the courts’ handling of disputes therefrom, were more a method of enlisting the courts to aid in state administration than a matter of rights or contracts to be upheld by law (Zhao Xiaoli, 2000).

As we will see below, the responsibility assignment system in fact makes up a major part of the officialized concept of a “socialist market economy”: the state continues to wield ultimate power over ownership (of land), but has through responsibility assignments granted managerial powers to peasant households, although those are still subject to constraints or revocation by the state—for example, the state continues to require many peasants to continue to farm grains regardless of how low the returns might be and, of course, the state may requisition land for state use at any time.

Conceptual Underpinnings

The different historical trajectories between contracts and responsibility assignments are predicated on very different conceptual foundations and practices. In the prototypical market contract, bargaining is very much a part of contract-making. There is a back and forth process: one gives a little, while the other gets a bit more, and in return, the other party might also give a little, and so on, until an agreement is reached that is acceptable to both. That bargaining process would be shaped by the market circumstances at the time: a “buyer’s market” might enable the buyer to get a better price (e.g., for a given farm product, or a condominium) because there is relatively little market demand for the item; the reverse might work in the other direction. The typical contract would come with such a process of negotiation, and contracting parties are accustomed to making changes during the process of arriving at an agreement. That applies even to employees being hired: if it is a “seller’s market” (as in a particularly scarce skill or specialty), the prospective employee might be able to obtain significantly better terms of employment through bargaining, in the same way the buyer of a “home” 房子 or a good might be able to obtain better terms in a buyer’s market. In the culture of contracts of market economies, a contract simply dictated by one side or the other side is more the exception than the norm.

In China during the Reform era, however, the reverse is more commonly the case. Given the larger framework of a socialist state deciding to marketize

incrementally, the state as the assigner of responsibilities in “responsibility contracts” holds overwhelmingly greater power than the other party. The standard expectation of the side taking on the responsibility assignment, often expressed as a “contract” to be signed, is that the other side will set the terms; there is little or no room for negotiations. That larger environment of “responsibility contracts,” in turn, sets the tone even for much of market contracting. Even today, employment contracts, for example, are often signed / agreed to without the prospective employee ever seeing the text, or else seeing it only with little or no turnaround time before signing. One takes what one is given, which has spawned the expression “the hegemon’s contract” 霸王合同. Many agreements termed “contracts” resemble a “responsibility assignment” more than a market contract between equivalent parties. It is the unbalanced “responsibility assignment contract” that has been the norm-setter.

Opposite Uses of the Contract Logic in Labor Law

Labor relations constitute something of a special sphere in market contracts because of the obviously unequal powers between the capitalist employer and the worker. Those unequal relationships are of course conceptualized in socialist theory as class exploitation, or the extraction of the surplus value of labor by the capitalist. Capitalist societies, of course, would not incorporate such an analysis. It took the Great Depression to adapt the logic of contract, idealized as a relationship between equal parties, to argue for making labor relations more equal, in order to better approximate the contract ideal. Thus came, in the aftermath of that crisis in capitalism, a series of legislation intended to close the gap, including the right of workers to form unions and engage in collective bargaining, and the establishment of social security programs, including unemployment insurance and health and retirement benefits for workers. Those are commonly associated in American history with President Franklin D. Roosevelt’s New Deal. That had been the core of labor legislation and the making of the contemporary welfare state, to counterbalance the excesses of capitalism. The basic logic was to try to bring the social realities of employment closer to the theoretical ideal of contracts between equivalent parties. Those reforms helped greatly the recovery and survival of capitalism after its historic crisis.

In recent decades, however, the logic of contracts has been invoked in an opposite direction to allow employers to evade the “burdens” of labor protections and welfare. It has led to the emergence of what in the literature is often referred to as “agency workers” or “dispatch workers” (frequently contracted for through intermediating agencies rather than the actual production entity itself), in theory limited to temporary or part-time workers, who are hired without regular security of employment and social benefits. Contract theory has been invoked to justify such practices, on the pretext that the temporary or substitute worker is in an equivalent power position with the employer, because he or she is free to refuse

an unacceptable contract. In reality, many permanent regular workers have come to be hired under such a rubric. Labor scholars have dubbed such workers—who account today for perhaps 20 percent of the total labor force in developed countries—“the precariat” (combining the two words “precarious” and “proletariat”) (Standing, 2011).

Socialist China, of course, followed from the start a very different course. The Communist Revolution had begun by setting up the theoretical ownership by all the people of all means of production. Land and capital alike had come to be owned by the state and not by private individuals. The Communist Party was to be the guardian of that system and its ideals of socialism. And workers’ rights and social benefits had been in place from the very start.

With the coming of the Reform era, however, the Communist party-state decided deliberately to incorporate market mechanisms, including responsibility assignments as well as contracts, into the political-economic system. As has been seen, first came the assignment of managerial powers over farmland to peasants in the marketization of agriculture. Next came outside-of-plan rural enterprises set up and owned by townships and villages that operated under the market economy’s “hard budget constraints.” Those employed peasants as industrial workers initially under the system of workpoints of the rural collectives, generally without the protections of labor laws and benefits accorded urban industrial workers. In the late 1990s, with the decision to “grasp the big and let go of the small” 抓大放小, small- and medium-scale state-owned enterprises were privatized, in effect directed by the state to let go of their burdens 甩包袱 (“dump the baggage”) of obligations of benefits to their workers, in order to lend them the vitality thought to be necessary for a vibrant market economy. What followed was the discarding of the welfare provisions that had been in place for the workers in those enterprises. There came also the rapid development of new private enterprises along with the privatization of the township and village enterprises. Massive numbers of new peasant-workers entered into the urban (city and town) workforce, the great majority of them without work benefits and protections. The result was that the majority of all workers quickly became mainly (what the International Labor Organization terms) “informal workers,” i.e., with little or no benefits or legal protections, rather than the erstwhile “formal workers,” i.e., protected by labor legislation and benefits.

Then came in the past decade the borrowing from the West of the theory of “agency workers.” The newly promulgated labor contract law of 2008 based on the Western theory of agency workers dubbed the new supposedly “temporary, auxiliary, or substitute” workers “dispatch workers” 劳务派遣工, considered to be under a “dispatch work relationship” 劳务派遣关系, distinguished from the old workers under a “labor relationship” 劳动关系, protected by the old labor laws and benefits. In practice, in both China and the West, the new system came to be applied not only to temps but also to regular, long-term workers. All of them, of course, fit under our category of “informal workers.” At the level of actual practice,

the great contrast between China and the West is that the new dispatch workers, added to other informal workers, came by 2010 to account for no less than 80 percent of the total urban workforce in China, far greater than the 20 percent or so in the West. Such have been the ironies and contrasts in how contract theory has been applied, now in the reverse direction from formalization to informalization and deformalization of labor use (Huang, 2017a, b).

To be sure, there have been some efforts in China to stem the tide (e.g., by the Ministry of Human Resources and Social Security's declaration in 2013 of the intent to limit such dispatch workers to just 10 percent of the workforce of all enterprises within three years), but the effects have been limited. The overall direction of informalization and deformalization has been as unmistakable as a tidal wave.

As for lawsuits from the deformalized workers whose status was changed from formal workers with legal protections to informal workers without those protections, the problem has been dealt with in China by the party-state simply ordering the courts not to take on cases involving disputes over workers' benefits, leaving those issues to be resolved by the enterprises involved themselves. In the last few years, the scope of application of that administrative dictate has been expanded to include more explicitly not just state-owned enterprises but any enterprise (state or collective or private) or other entity whose "structural reform" 改制 is "directed by the government" 政府主导. That is to say, if the deformalization is directed, or approved, by the government, the courts would refuse to handle disputes and complaints therefrom (Huang, 2017a, b; Zhao Liuyang, n.d.).

There remains a sharp contrast between the West and China in the relationship between state actions and law. In the West, formally enacted legislation has been generally above the state; in China's current system, however, the party-state has shown that it can remain above the law when needed. It can order that certain types of cases involving certain types of disputes be placed outside the purview of the courts, which in effect sets aside existing legislation, without having to nullify or revise first those existing laws by legislative process.

Responsibility Assignments within the Administrative Apparatus of the State

Responsibility assignments within the state administrative apparatus, it should be clear, are similarly lopsided: the socialist party-state controls completely the appointment and promotion of its individual officials, who may be demoted, dismissed, or disciplined on order, and whose responsibilities, powers, and resources are assigned to them, to be limited or changed or terminated as the upper levels might decide. Perhaps most important of all, inside the administrative system, all officials are ultimately subject to absolutist party discipline: upon complaints and after initial investigation, they may be placed under the "double fixed" 双规 system that originated from the needs of controlling corruption, dating back to the late 1980s and the 1990s—of being isolated in a "fixed place" and for a "fixed period of time" (actually, no set time limit), during which they are completely isolated from

all contacts with the outside world, from family members and friends, not to speak of attorneys, for the purpose of investigation. Nothing reduces a powerful official (even a member of the Politburo or a provincial governor) more completely to the mercy of this disciplinary system than such a procedure.

Yet, we must also consider the other side of the picture: the official assigned leading responsibility for a locale can enjoy wide discretionary powers, largely unchecked by legislative or judicial authority, like the Center. The powers of the top leaders of a province or (directly administered) municipality, a city, or a county, in fact, resemble the traditional Chinese official who represented the emperor / central government in that locality, under a system that deliberately created smaller local replicas of the central system, with a scope and extent of power far greater than those of the modern Western local official operating within a specialized and highly proceduralized bureaucracy, under liberal-democratic checks and balances and the rule of law (more below).

The system of administrative assignments of responsibility has been termed in the literature the “administrative responsibility assignment” (行政发包 in Chinese) and “administrative contracting” (in English) mode of governance, by Professor Zhou Li-an (Li-An Zhou). Zhou likens the system to a “bureaucratic market” 官场 which, he argues, has seen the operation of incentives and competitive mechanisms similar to those of a market economy. Zhou spotlights especially the “promotion competitions” in the “bureaucratic market,” and pairs the two terms “bureaucratic market” and “economic market.” The two, the market of enterprise competition and the market of official competition 市场 + 官场, Zhou argues, have joined together to power China’s stunning record in economic development (Zhou Li-an, 2007, 2014, 2016, 2018; cf. Huang, 2019). Although his Chinese articles use the Chinese term *xingzheng fabao* 行政发包 (“administrative responsibility assignment”), he uses in the English versions of his articles the term “administrative contract” 合同 to render the Chinese term *xingzheng fabao* (Zhou, 2019).

Zhou’s analysis helps us to grasp the combining and interacting of the two key entities and mechanisms—the (local) state(s) and the market economy—that have been the driving force behind China’s stunning development. He has spotlighted especially the incentives and competition among Chinese local officials’ “promotion tournaments” 锦标赛. In so doing, he has been able to communicate effectively with neoliberal Western and Chinese social scientists committed to a Western-style market and contract economy, by using their discursive framework of markets and contracts.

However, we should note that Zhou’s theory and terminology may also blur the differences between market contracts and Chinese administrative responsibility assignments. Zhou’s term and concept of a “bureaucratic market” 官场, especially, by likening the system to an economic market, can obscure the very different historical origins, emphasis, and logics of the system. It can be misleading both for the operative Chinese system of administrative responsibility assignments and for the operative Western system of market contracts, by the analogizing or even

equating of vertical administrative responsibility assignments with horizontal market contracts. This article suggests that it might be better to use, in English, the terms “administrative responsibility assignment” rather than “administrative contract,” and “bureaucratic arena” rather than “bureaucratic market.”

That confusion can be seen in common Chinese references to the assigning responsibility system in farmland by mixing together the two terms—to express those as a “responsibility contract” 承包合同. The result is to obfuscate the two different traditions and logics, which can lead to fundamental misunderstandings of both. The same goes for researchers who have used the term “rights” 权利, protected by law and by the courts, to render the Chinese term “powers” (权 or 权力, as in 经营权). As we have seen, there was and is in fact little or no room for a peasant to challenge the state in court over a “responsibility contract,” or a local official to challenge in court the highly centralized socialist party-state.

That said, we need also to acknowledge that Zhou Li-an’s analysis has helped spotlight for many readers the crucial importance and complexity of the responsibility assigning governance system of China, instead of simply dismissing the system as authoritarian or even “totalitarian” and completely opposed to market economy. Yet, to understand fully the nature of the system, we need also to explain more fully its differences from contracts, from how someone thinking in terms of the logic of contracts might come to misinterpret the system. Were a reader to imagine a contract-like relationship among different levels of bureaucracies and bureaucrats in China, it would be to fundamentally misunderstand the very highly centralized and top-down structure in which they operate. It would be better to keep in mind the very different concepts and nuances of “responsibility assignments” and “contracts,” lest one forget the fundamentally different conceptual underpinnings of the two terms and concepts and their associated practices.

To be sure, the large body of literature on “principal-agent” relationships in Western economies, which Zhou Li-an draws upon, has expanded considerably the scope originally covered by contract theory. That literature has taken into account such problems as conflicts of interest and incentives between contracting parties, and asymmetry in information (e.g., a principal hiring a specialist agent, such as an attorney, for a particular task), with the potential for consequent “moral hazards” and abuse of the contractual relationship. Research pertaining to principal-agent relationships has also tried to take account of the asymmetry in power between the two, especially in the field of labor law, as discussed above. However, the focus has remained within the foundational framework set by the original theory and ideal of contracts: i.e., horizontal market relationships between entities of equivalent bargaining power. That foundational premise, it should be clear, is not sufficient to encompass Chinese administrative responsibility assignments, given the vertical nature of assignments from upper levels to lower levels, with gross inequalities of power, and the highly authoritarian powers of the party-state. Zhou’s distinctive contribution lies in spotlighting the crucial importance of a distinctive Chinese administrative system, and illuminating its operative mechanism, but his

scheme might need to deal more clearly at the same time with the vexing problem that we all face of how to bridge the discursive gaps between Chinese terms / concepts and English, of “responsibility assignments” and “contracts,” each of which needs to be set into its larger political-economic context.

Responsibility Assignment and Contracts in Codified Chinese Law

Although in the general scholarly as well in popular usage the two terms have come to be mixed and confused, we need to remind ourselves that they are in fact well defined and illustrated in the separate Chinese laws that have been promulgated for them—the 2002 (revised) “Law of Responsibility Assignment of Rural Land” 农村土地承包法 and the 1999 “Law of Contracts” 合同法.

As the “Law of Responsibility Assignment of Rural Land” explains, “Rural (agricultural) land refers to land that is owned by the rural collectives and by the state” (Article 2); “ownership of the responsibility land will remain unchanged; land may not be sold or purchased” (Article 4); “the responsibility party will enjoy the powers of management of the land” (Article 9) (National People’s Congress, 2002).

The “Law of Contracts,” by contrast, spells out the fundamental principle that “a contract is an agreement between equal parties, the natural person, the legal person, or other organizations, with regard to establishing, changing, or terminating their rights and obligations by law” (Article 2) (National People’s Congress, 1999).

Codified Chinese law, in other words, has in fact been clear about the differences between responsibility assignments and market contracts. What is needed is to place them into their larger historical and political-economic contexts in order to convey their full implications.

The Context of “Centralized Minimalism”

Part of that larger Chinese context is the tradition of “centralized minimalism” (Huang, 2008). The Chinese imperial government was of course highly centralized, but it also sought deliberately to minimize the elaboration of the numbers of levels of bureaucracy under the emperor, first in order to reduce the risk of centrifugal tendencies in a system so much dependent on personal loyalty—each additional layer adds a greater threat of centrifugal tendencies. Second, to reduce administrative costs—because of the very limited revenues from a pre-industrial and involuted peasant economy. In the nineteenth century, a typical county magistrate, the lowest level centrally appointed official, oversaw an average of 250,000 people. Also, his administrative apparatus involved only very limited Weberian-style bureaucratization, of governance by specialized and salaried officials, divided into vertical, lineal chains of command. The result was a government that was relatively minimalist at the basic levels of society.

That contrasts very sharply with the West. Part of the historical origins for those differences is to be found in the Western tradition of feudalism, with far less

concentrated power at the center and yet more extractive powers and resources at the village level than the centralized minimalist Chinese state—while late imperial Chinese taxes took just 2 percent to 4 percent of the total agricultural product, feudal tithes typically amounted to about 10 percent under Western and Japanese feudalism (Wang, 1973a, b). The differences came also partly from the modern Western tradition of the democratic state—with its three-way division of power and checks and balances to make for lower central despotic power.

The result was, by comparison with modern Western states, an imperial Chinese state of a relatively high degree of centralized “despotic power” but relatively low degree of penetrative “infrastructural power,” in contrast to the modern Western nation-state of a relatively low degree of centralized despotic power but a relatively high degree of penetrative infrastructural power, as per Michael Mann (Mann, 1984). Chinese administrative responsibility assignments need first to be understood in that historical context.

The Context of “Parcelized Despotism”

Mann’s important analysis, however, does not capture another crucially important and distinctive feature of the imperial Chinese political system. The highly centralized “despotic” imperial system deliberately created smaller replicas of itself at the local levels, to result in what might be termed “parcelized despotism.” The top local official was to be the representative of the emperor in his assigned jurisdiction. Though serving entirely at the will of the emperor, and still very much under the central government’s control in terms of promotions and demotions, he also commanded governmental powers in his locale analogous to those of the emperor, also relatively unchecked by legislative and judicial powers such as those in modern Western democratic polities. His powers were also more in the form of “chunks” 块块 than the more highly lineally divided authority chains of modern specialized bureaucracies 条条.

It is that broader historical background and institutional framework that help us to understand the persistence of both centralized minimalism and parcelized despotism in governance in Chinese history. It came and comes with a high degree of central despotic power and yet low local infrastructural reach, but also a high degree of parcelized chunks of despotic power rather than more vertically divided chains of command as in modern Western specialized bureaucracies, and unchecked by comparable three-way divisions of executive, legislative, and judicial powers. Those enduring aspects of that imperial Chinese tradition help us understand the persistence in China today of similar differences from modern Western governance.

In the contemporary period, the heritage of centralized control was further strengthened by the absolutist control mechanisms of the modern Communist party-state born of war and revolution, through its highly elaborated and even more powerfully centralized powers, still largely unchecked by legislative and

judicial powers, as we have seen. And that applies now also to local governments in similar ways, still intended to be parcelized replicas of the center. At the same time, however, with industrialization and the development of a (Weberian) modern Western bureaucracy, the Chinese bureaucratic system has also undergone a definite degree of specialization and increased development of lineal vertical chains of command.

There remain also minimalist tendencies, partly because of the continued existence of a huge population in ruralities still severely constrained by limited government revenues from an agricultural rather than an industrial economy, still powerfully driven toward minimizing administrative elaboration. The persistence of minimalist tendencies is perhaps best evidenced by the breakdown of public services at the most basic, village level in recent years with the abolition of agricultural taxes and fees in 2006. For the township governments, that meant the end to the village as a source of tax revenues. As a result, there has come the withdrawal of township governments from active involvement in public services within village communities, leaving a vacuum—to result in villages strewn full of garbage and polluted waters, unrepaired roads and bridges, un-dredged rivers and streams, and so on, lending concrete meaning to the term “low infrastructural power.”

Even more important, perhaps, the state system continues to show the imperial parcelized despotism characteristic: the local governments still command powers similar to those of the center's, without the same degree of vertical-lineal divides of governmental authority, and also without the West's checks and balances of power. They still control greater discretionary powers than their counterparts in modern Western bureaucracies. Such a system, to be sure, comes with the problems of both vertical (by central ministries) and horizontal (by the heads of local governments) “dual leadership” 双重领导 and consequently unclear or even conflicting responsibilities and powers. It can also lead to localism, and segmentation and large gaps between different localities. Nevertheless, as we have seen above, the strong parcelized despotism powers of the local governments have played a critical role in China's rapid economic development.

Binary Opposites as Opposed to Complementary Dualities

While it is necessary to grasp the differences between the operative realities of Western and Chinese governance, and “contracts” and “responsibility assignments,” in order to grasp their realities in practice, we must not thereby fall into the trap of a mutually exclusive either/or juxtaposition between the West and China. That kind of juxtaposition pushes us into one or another opposite, both detrimental to our understanding not only of China, but also of the West.

Binary Opposites

The standard and typical logical trap of a China versus the West binary opposites conception is that it almost always falls into one or another faulty presumption: one is that the West's is the only way, or that what is Chinese now is just something

“in transition” to the universal path of becoming more completely like the modern West. That kind of inference, whether stemming from teleological modernism (or “early modernism”) or teleological Westernism, plainly obfuscates historical process and reality, as well as the fundamental reality of the coexistence of the Western and the Chinese in modern-day China, and of Western-style modernization with Chinese traditions (both of imperial and of revolutionary China). The opposite presumption, often emotionally driven by Sinocentric sentiments, is that China’s way is superior, mainly because it is “Chinese.” It underlies that conceptual trap of a “Chinese distinctiveness” 中国特色 ideology, and easily becomes a teleology of conservative resistance to Westernizing reforms. Each view drives the other toward the extreme of one-sided formulation, the former because of opposition to excessive Sinocentrism or conservatism, the latter because of opposition to teleological Westernism or wholesale Westernization. They both stem from a shared neglect of the fundamental reality of coexistence of the two in modern and contemporary China.

We have already seen too many such juxtapositions in modern and contemporary Chinese history to allow ourselves to continue to fall into these conceptual traps. In the legal field, there have been the sharp divisions between the Westernizers who argue for wholesale adoption (“transplantationism” 移植论) of supposedly logically consistent “formalist” Western legal principles and laws, in the name of “modernity,” and those who advocate the reverse, of emphasis instead on “indigenous resources” (本土资源论) of Chinese principles or laws or customs. In the field of economics, there has been a similar divide, between those who advocate the full adoption of neo-liberal / neo-classical assumptions and theories (rational economic man, market economy, invisible hand of the market and non-interference of the state, and so on), and those who reject that kind of wholesale Westernism in favor of either traditionalism or socialism/Marxism, or both. In historical research, debates continue between those who see for “early modern” and “modern” China either simply a trajectory toward complete Westernism (or “modernism,” or “early modernism”) or simply a “China-centered” path. It should be clear that neither can fully grasp the basic given reality of modern-contemporary China, namely the coexistence and interaction of what is Western with what is Chinese.

Complementary Opposites

Instead of the either/or binary opposites approach, we need to start with the acknowledgment that, in modern and contemporary China, what is Chinese and what is Western, what is traditional (again, both imperial and revolutionary) and what is modern, of necessity coexist. The coexistence of the two traditions—of language, culture, discourse, conceptual orientations, modes of thinking, practices, and governance and society-economy, and so on, not to speak of academic theorizing—is a fundamental reality of modern and contemporary China.

The more difficult question is: How do we proceed from the reality of coexistence to grasp just how the two have actually interacted, shaped one another, and combined? What are the strengths and weaknesses of the past and present attempts? What would make for the best combinations of the two, something that would be appropriate given Chinese realities and best serve the people? Might there be a way over the long term that would transcend the opposition between the Chinese and the Western, and combine the two to best release creative energies in both?

There should be little doubt today that the distinctive Chinese usages of market mechanisms and of a powerfully centralized state have been crucially important in driving China's stunning development of the past four decades. The true question is: How have the two actually contributed to one another, reshaped one another, and forged a combination that has worked better than just either one or the other?

Responsibility Land and Rural Development

Looking back at the history of the past four decades, there can be little doubt that the responsibility land system set the basic political-economic framework that helped to transform and modernize Chinese agriculture. It began with the party Center's deliberate incorporation of the notion of "responsibility assignments" to grant peasants the power to manage their land independently, to produce and market largely as they see fit, and also to share in and profit from the market appreciation to come in the value of their products. All that has come with vigorous state support, in granting to peasants managerial powers, and in vigorous provisions of modern inputs (of chemical fertilizer, improved seeds, and agricultural machinery). That combination was what drove China's "hidden agricultural revolution" in the Reform decades, shown above all in the turn of many, many peasants to the growing of higher value-added products (especially high quality vegetables-fruits and meat-poultry-fish) that are "labor and capital dual intensifying," thereby to greatly raise the output value (in comparable prices) for agriculture and the peasants, bringing into being in effect a "new agriculture" that today accounts for nearly two-thirds of the total output value of Chinese agriculture and has largely transformed the farm economy of China (Huang, 2016b).

This is despite the oft-repeated misapprehension, which has influenced some agricultural policies and academic studies, that it is somehow large-scale capital-intensive (and relatively non-labor-intensive) Western-style agriculture that has driven that agricultural revolution, and that China must continue to imitate the West to a greater degree still, to develop large capitalist farms enjoying scale economies, American style, to truly modernize. (The obverse position is of course the conventional Marxist interpretations that see American-style large-scale capitalist agriculture as similarly inexorable, but an unwanted development that must be overturned.) Actually, the path to modernization of Chinese agriculture has now already been set in practice—through higher value-added small-scale

farming which, given the reality of what is still 200 million small peasant farm labor units, with an average of just 10 mu (1.67 acres) of farm land per labor unit and about 15 mu per farm (compared to the average American farm size of about 450 acres, or 2,700 mu), will persist for a long time to come. That is in fact the most appropriate form of agricultural modernization given China's long history of high-density small farming and a huge agricultural population. It is in fact also the optimal way in terms of resource allocation for China, very different from American style, mainly machine-intensive (and non-labor-intensive) large-scale capitalist agriculture. The new Chinese agriculture has been not only capital intensifying (more chemical fertilizer, scientific seed selection, and mechanization), but also labor intensifying farming (more input more unit land), almost all carried out by small farms. That higher degree of intensification of land use has made for much higher output per unit land than larger scale American farming. The very highly mechanized farming of the United States would displace far too many peasant labor units, and would result in much reduced output per unit land, making it impossible to supply enough food to support China's huge population.

Combining State and Market

If agriculture has served as a good example of the distinctive combination of modern industrial inputs with new-style small peasant farming, and of the state's highly centralized political-economic system with the peasants' discretionary management powers in the market, urban enterprises development has shown the effective combining of strong central and local state capacity with marketized private enterprises, as discussed above. Moreover, given the scale and nature of highly developed Western multinational corporations, China's newly emergent private enterprises could only hope to compete in the world economy with the help of the immense powers and capacities of the Chinese party-state, central and local—only it has the scale of resources and power that can compete with the mammoth and entrenched globalized enterprises of the West. And only the assistance of the parcelized despotism of the local Chinese states (in land, in infrastructure, in lax labor use, in reduced taxes, in loosened environmental controls, and so on) could make possible the drawing in of foreign investments to China; only the state could help turn China into the highest return-to-capital (more than 20 percent) destination for investments in the world.

As we have seen, the state structure itself required an incentive system for its local officials toward marketization, such that they would come to serve the state's purpose of global market competitiveness, both in terms of drawing capital to China and of competing with the other multinationals. The solution in practice was to motivate officials through a system that assigned to them enough power and discretion to trigger their inventiveness and entrepreneurial capacities, while retaining tight control over their evaluations and promotions. That developed through the responsibilities assignment system in a state-set incentives environment for

the “promotion tournaments” among officials in terms of their contributions to the development of each locale’s GDP, as Zhou Li-an has explicated so well.

It was a governance system that could not work without also the functioning of the mechanisms and checks of market competition. Local officials could perform well only if their actions had market competitiveness. The competitive demands of the market have turned out to be good and effective motivators and checks on local officials’ performance. Local officials have had to answer not only to the upper levels but also to market discipline: they need to generate a market environment for enterprises favorable to growth, appropriate for local resource endowments, and competitive on the market. The central state created thereby a confluence of interests and incentives between what private enterprises wanted and what the state sought in the way of economic development. That gave Chinese private enterprises the competitive edge they needed to thrive in the market, domestic and global, just as Zhou Li-an has explained.

The combining of effective incentives for local governments with those of market-driven private enterprises was a system that emerged through practice, through what was shown to work, first in Chinese farming, then in township enterprises (rural industrialization) of the 1980s, and finally, in the successful development of enterprises through the “drawing-in business and capital” 招商引资 by the provincial, city, and county governments of the 1990s and beyond. The socialist party-state managed to turn local governments and officials into development-driving entities, while the newly emergent private enterprises of the market became more competitive through the state’s help in tax exemptions, land and infrastructures, and financial support. The combination was what made China the most attractive place for investment in the world, and what drove China’s stunningly rapid development. The coexistence and working together of the market economy and its contract system with the state’s administrative responsibility assignment system turned out to be particularly well suited for China’s “transition” economy.

The word “transition,” however, must be used with caution. We must be careful to avoid falling once more into the trap of teleological Westernization-ism, as if China must become ever more like the West in order to modernize and develop, as is often the association with the term. We need to grasp the already demonstrated impressive vitality of a both-Chinese-and-Western approach to modernization and development, as opposed to an either-Chinese-or-Western approach.

Here that seemingly trite officialese of a “socialist market economy” 社会主义市场经济, perhaps surprisingly, does in fact capture a good deal of the distinctive combination of the two. It had emerged mainly through the practice of reform, now tested by fire, and might well turn out to be a distinctively Chinese and sustainable approach to “modernization,” so long understood in terms of nothing more than “Westernization” or “capitalist development,” or “market (contract) economy.” China’s “socialist market economy,” so often dismissed, might well become in fact not just a “transitional” system, but rather a distinctively Chinese framework of development appropriate for Chinese realities, not just in the short

term, but possibly over the long term as well. It should in any event be understood as a process of long-term change, not a matter of a particular theory or ideology.

The Negative Sides of Interactive Dualities

One must not forget, however, the negative sides of China's recent development. Given unequal partnerships in responsibility assignment, the state over the peasant and society, one side can come to dominate arbitrarily and lead to serious violations of the interests of the other. A truly viable combination must attend to the problems and conflicts, more than just the successes.

Labor protections and benefits have thus far been sacrificed in the interest of development and drawing in capital. Forty years into reform, China has been proceeding full steam ahead toward dismantling the old socialist employment system, now down to only about 20 percent of the total labor force. For long-term development, most especially the creation of a larger domestic market to sustain economic development, and also for social stability and social justice, China must sooner or later reverse the trend toward deformalization to restore balance and stability. To have 80 percent of the labor force in the status of "precarious workers," compared to perhaps 20 percent for the West, severely limits the domestic market and is simply not economically sustainable, not to speak of being socially unjust and far removed from the ideals of socialism.

As for farming, the state has yet to fully recognize the central importance of small farming, and is still a long way from providing it with the kinds of modern marketing logistical support it so sorely needs. That remains a major weakness in Chinese agriculture. It is time to see the superiority and sustainability of small farming for China, and to give it the state's full support—not so much by simple engineering from above, but rather turning to societal (village communitarian) energies from below as well, combined with state direction from the top. The so-called "East Asian co-ops," very much a coincidental product of unusual and unplanned historical circumstances, can serve as something of a model. The Meiji Japanese tradition of agricultural administration from above (in which supporting the modernization of agriculture came to be the principal task of local governments) came to be combined under the U.S. occupation (and the influence of its progressive officials who identified with Roosevelt's New Deal) with democratic co-ops from below, to result in what remains perhaps the most successful example to date of modernized logistical support (i.e., of the "vertical integration," or processing and marketing, of agricultural products) for a peasant economy. It has made for much less social inequity between city and countryside and also much more vibrant village communities (Huang Zongzhi, 2018).

In China, the responsibility assignment system of land has worked so far to ensure a roughly equal distribution of land and its concomitant new-style small farming, despite the obsessions of some with large-scale farming. That is in fact the bedrock of the new-style Chinese agriculture—something not yet fully

recognized and supported by the state. Today, it could benefit greatly from a deliberate government-led policy of village community-based co-ops from below in the manner of the East Asian co-ops. Instead of a costly and inefficient farm goods circulation system comprising thousands upon thousands of small peddlers cum mammoth commercial capital, community-based co-ops and state-funded modernized wholesale markets would help greatly to improve farm-product logistics and increase what peasants can retain of their profits from the market, to result in a better-off peasantry. They could also serve to reinvigorate village communities and release energies from below to supplement government leadership.

The unequal partnering of the state with society, such as in the government with the peasant in the responsibility assignment land system, has also led to many excesses and misguided efforts, such as official-merchant collusion and corruption in land deals, excessively harsh actions in the requisitioning of land, commandist policies to the disregard of peasant interests (e.g., the compulsory planting of overly labor-intensive and low-return early plus late rice + winter wheat), and so on. As with all unequal partnerships, there exists the potential for policies that disregard the people's interests, unchecked from below. A good direction of political-economic development would be to look to a better balance between the state and society-economy, between the rulers and the people.

Outside of problems such as those outlined above, we should acknowledge that the broad political-economic framework of market socialism can be understood as including the combining of Western market mechanisms with the distinctive centralized minimalism and parcelized despotism of the Chinese system of governance. That has demonstrated immense energies and creativity. That legacy should be the one to build upon and deepen, not by any simple-minded adherence to either supposed Western ways or supposed Chinese ways, but by a feet-on-the-ground, practice-tested approach that has been proven to work. The search for a road to long-term development must be one that attends not just to past successes, but also to past failures and problems in an unending search for how best to combine what is Chinese with what is Western into a new road for China's development.

“Confucianized Legalism” and “Socialist Market Economy”

One important historical analogue to the mode of thinking behind the present day “socialist market economy” strategic conception is China's early imperial adoption of a legal-political system made up of the “Confucianization of Legalism,” often expressed also as “Confucianism as the Yang, Legalism as the Yin” 阳儒阴法.

Confucianization of Legalist Law

Starting from the legalist laws of the Qin, during the reign of the Wudi Emperor of the Han, under the influence of Confucians, especially of Dong Zhongshu

董仲舒 (ca. 179 BC—104 BC), the state opted not for the abolition of Legalism in favor of Confucianism, but a creative combination of the two. From Confucianism, it took the core of its high moral ideals—of “do not unto others what you would not have them do unto you” 仁, and of benevolent governance 仁政—and put them together with the punishments laws of the Qin into a single system. The Confucian side would provide what we might today term the “soft power” for harshly practical Legalism; it would temper the latter with benevolent governance. Together, the two would make up a lasting system that would be more sustainable and stronger than just one or the other. The more practical Legalists, with their strict system of rule based on punishments for criminal offences, would be moderated by a broader society-wide informal justice system anchored on Confucian values of harmonious relationships. The formal legal system would coexist with the informal system of mediation; practical governance would be tempered by moral authority and moral governance; the authoritarian father would be tempered by the kindly and loving mother to make up a more lasting combination for the ages. Thus were created the basic outlines of what came to be known as the “Sinitic justice system,” to last two thousand years and to extend its influence over all of “East Asian Civilization”—in addition to China, also Japan, Korea, and Vietnam, especially. It was at once kindly and strict, moral and practical, to make up what this author has termed a legal system of “practical moralism” (Huang, 2016a).

To be sure, the system also had its problems. Many basic-level disputes among the people actually could not be resolved by community mediation. Many had to come to court for more clear-cut judgments. But the practical legal system was able over time to incorporate those experiences and changes into the (mainly penal) law, little by little. That was how a steadily expanding body of laws (substatutes 例, as opposed to main statutes 律) related to “minor matters” (a close approximation to the modern concept of “civil law”) came to be incorporated into the code. It was also how originally highly status-based differentiations of laws and punishments gradually gave way to provisions that, along with societal change, came to be oriented more and more practically to the majority peasant population, blurring the earlier sharp distinctions between the ruling elites and the common people, very different in the Qing from the Han or the Tang (Ch’ü, 1962; Bernhardt, 1996). The Confucianization of Legalist law was not something accomplished in one stroke, but rather, after the overarching framework had been set, by a historical process of gradual change and refinement. But there was no question as to the fundamental soundness and viability of the basic approach of a creative combination of Confucianism with Legalism.

“Socialist Market Economy”

China has today adopted a framework that is similar in its mode of thinking and potential. The Communist party-state, with its highly centralized power, had served the purpose of creating a state strong enough to overcome imperialism and

Japanese invasion and occupation, and to triumph in the Chinese Revolution. But that state, plus its adoption of a Soviet-style planned economy, despite notable accomplishments, had not been able to generate the kinds of economic development comparable to capitalist market economies. The need for systemic reform had become ever more evident and urgent, especially after the extreme experiments with mass mobilization and nativism that formed the core of the Great Leap Forward and the Cultural Revolution. Those had set the background for a reaction and the turn to a market economy, in order to generate the kinds of economic development that would be more competitive with Western capitalist market economies. Yet the ideals of socialism remained; as did governance for the welfare of the people, a legacy of both Confucianism and of Marxism and Chinese Communism; so did rule by the Communist party-state and its continued ownership or control of the principal means of production.

Thus came the incorporation of market mechanisms into a socialist China in which the state owns the critical means of production and commands highly centralized power. The method adopted was not a simple transition to private ownership and market economy, along with the dismantling of the Communist parties, as in the former Soviet Union and a number of Eastern European countries, but rather a continuation of Communist party-state rule and the state's ownership of the principal means of production. Within that basic framework, gradual concessions were made first in agriculture by granting peasant households management powers over their farms through responsibility assignments, while the state still retained the final ownership and control of all farmland. Then came the concessions to rural governments to develop out-of-plan marketized enterprises, followed later by privatization of those enterprises. The space was also opened up for further marketization by encouraging widespread development of private enterprises, while also privatizing small and medium-sized state enterprises, until a rough balance was reached between private and state enterprises in terms of non-agricultural output value (at a ratio of about 6:4 today).

Those changes set the institutional framework for the new agricultural revolution: of the rise of a capital and labor dual-intensifying, high-value-added small peasant agriculture, one that largely transformed the farm economy. The state also set up a framework of state and market collaboration by instituting a system of governance through responsibility assignments to strictly and tightly control local officials, while allowing them great latitude for inventiveness and autonomy over their localities, so long as those were consistent with centrally set goals, as measured by rates of GDP growth. That governance structure prompted local officials to compete vigorously to lend private enterprises within their jurisdictions the help and support necessary for dynamic development in a marketized economy.

The combination of that system of governance with a marketized economy is a concrete reality that lends real substance to the official term of "market socialism." The state and the enterprises, and the socialist state's ownership of the major means of production and market mechanisms, have joined together to drive the

stunning record of economic development of the past forty years. They have made China competitive in the capitalist global economy. They have lent proof, through practice, of the effectiveness of the combination of the centralized socialist state with a market economy, and of the responsibility assigning system with the market contracting system. Nevertheless, it has been clearly still a step-by-step exploratory process.

Problems

At the same time, one must not overlook the problems that have come with the successes. The preponderance of informal workers in the labor force has handicapped the fuller development of China's domestic market and put serious constraints on the scope and sustainability of its economic development, not to speak of the problems of social inequities and fissures.

The path to correction for the future seems clear. In the agricultural economy, the peasant households remain severely hamstrung by the lack of means to participate more effectively in, and gain more benefits from, market development. Their only choices have remained either thousands upon thousands of small peddlers combined with large commercial capital that make up an inefficient and costly marketing system, or the still inefficient and ineffective state-run marketing and processing entities. That too is both an economic and a social problem yet to be addressed, necessary if the Chinese economy is to enter into more sustainable economic development. Striking social inequities have impacted not just the economy but also the fuller development of Chinese society and its capacity for participation in governance along with the state. One possible way to improve the situation would be to require state firms to dedicate a certain fixed proportion of their profits to public welfare, especially for the peasant-workers – we have already seen a successful example of such a practice in one given locality (Huang, 2012).

A Novel Third Sphere between State and Society?

We come, finally, to the question of the “third sphere” between state and society, which helps complete our understanding of the contemporary Chinese political economy and governance system. It may be understood as an analysis of a neglected dimension of the “socialist market economy.”

Historical Background

That third sphere (Huang, 1993a, b; Huang, 2019) has a long history in imperial China, stemming from the interactions between the centralized state and society in a centralized minimalism system of governance. State administration relied not just on the informal self-governance of basic level communities, but also on institutions and practices born of the interactions between the informal institutions and the formal state apparatus.

The process is well illustrated at the most basic level of society by the interactions between community mediation and the formal court of the state in dispute resolutions. The filing of a formal complaint with the yamen court would trigger, on the one hand, redoubled or renewed efforts at community mediation. At the same time, the magistrate would comment on the successive submissions to court, and those would become known to the disputants and mediator(s) through public posting or runner/*xiangbao* transmission. Those would directly impact the ongoing mediation, often leading to concessions from one or the other side, or both. Agreement would be reached, and the disputants would file a petition to withdraw the “lawsuit,” or else cease filing further petitions or responses. The case would then be allowed to close or would simply lapse into inaction. Such cases (thus recorded) amounted to a third of all “minor matters” cases, and perhaps as many as two-thirds (if we include those whose records simply lapsed) (Huang, 1996).

The same centralized minimalist institutional structure had also led to pervasive use of another semiformal method of administration. Most notably, the reliance on the single semiofficial *xiangbao* (nominated by distinguished community members but confirmed by the state and without salary), at the critical juncture between state and rural society, to oversee (including tax collection and handling of disputes, passing on magistrate directives, and so on) an average of twenty villages each. Moreover, they would be largely left on their own to handle those matters, without yamen intervention, unless their conduct of affairs led to disputes and complaints. Such practices lend concrete illustrative meaning to minimalism in governance (Huang, 2019).

The same applied to the magistrate’s management of the multiple offices under him: they comprised largely unsalaried or little salaried semiofficial personnel, charged with the respective functions of their offices (most especially for tax collection 户房 or for “punishment” 刑房). Those offices too would be largely left on their own, until and unless disputes arose over their performance. It was a structure that can be well captured by the contemporary term “responsibility assignment,” in which the person taking on the responsibility would pay a participation fee 参费 (as high as one thousand silver taels in the late Qing for the most lucrative tax and punishments offices) for the privilege of earning an income from the office. They too were generally left to their own discretionary power to carry on their assigned tasks, albeit within the boundaries of established practices, lest complaints arise, at which time the magistrate would intervene. That too was a major feature of minimalism in governance (Huang, 2019).

The Contemporary Third Sphere

The above were what set the background for the even more widespread contemporary uses of responsibility assignments both within the administrative apparatus and between that apparatus and semi-officials drawn from society, or directly with societal entities themselves (i.e., the village or township communities, or

individuals). We can see traces of the tradition even in the rural collectives of the planned economy era, but far more widely in the Reform era.

For example, of the average of 25 million odd disputes in the five years between 2005 and 2009, fully 10 million were handled in this intermediate sphere by semi-formal entities (and another 10 million by informal community mediation, though still with cadres' participation), by the township legal services offices (700,000 cases), the consumers' societies under the purview of the Ministry of Industry and Commerce (750,000 cases), and the Ministry of Public Security (8.4 million cases), distinguished from the more formalized and adjudicatory court system (5 million cases). Among those, a total of 3.8 million (38 percent) of the cases were successfully resolved by mediation. (As for the even more informal village and township people's mediation committees, they managed to resolve about half of the 10 million disputes brought before them—Huang, 2016b).

The responsibility assignment system, both within the state administration and between it and society, is arguably the most distinctive and prominent feature of the Chinese political economy today. Despite the imbalances in power, it is not simply just a top-down relationship, but rather involves the participation of both the upper and the lower, and state and society, in the long-term historical process that has seen both the "state-ification of society" and the "societalization of the state" (Huang, 2019). The combinations of the two are best exemplified by mediations undertaken by the semiformal modes of dispute resolution today, neither completely of the state nor completely of society. That has been a rapidly spreading political-social phenomenon in China of the Reform era. Responsibility assignments, so widely used today as *the* method of governance, need to be understood in that perspective.

The Project Grants System

The same applies to the widely used government-selected and -funded "project grants" 项目 system, through something of a mixture of responsibility assignment and contracting, both internally within the government administration (between different levels of the government) and externally between the government and society. The project grants method has been so widely used that some sociologists have dubbed it *the* method of government administration and governance today, replacing the centrally important "unit" 单位 administrative system and mechanism under the old planned economy, to make it into a Weberian modern rational ("bureaucratic") system (Qu Jingdong, 2010). More important, in my view, is that it is intended to trigger competition and incentives both within officialdom and between the officialdom and society, including even academic units and individual researchers. Internally, it relies, as we have seen, on administrative controls and promotion incentives; externally, it draws on the incentives of extensions/renewals of projects and the prospects for obtaining new grants in the future, and the supervisory process of "examination of the final product" 验收. Such projects are all

intended to combine market competition and incentives with government control through selection and inspection.

To be sure, there have been many instances of abuse, including commandist assignments of projects to lower levels (e.g., compulsory growing of early rice), misguided efforts to develop larger-scale farms that turn out to be economically inefficient, fake agricultural “co-ops,” showcase projects, merchant-official collusion and corruption, and other similar abuses (Huang Zongzhi, Gong Weigang, and Gao Yuan, 2014). At the same time, because the project grants system relies mainly on the pursuit of self-interest as its incentive mechanism, it tends to encourage disregard of public or community interest, and aggravates the mounting problem of a moral vacuum in society as a whole.

Nevertheless, we also should not deny that, compared with general administrative responsibility assignments, the project grants system is oriented to a more specifically targeted task, such as road building, re-forestation, particular research projects, alleviation of poverty, construction of new community (multistoried) housing, and so on. It also brings in the initiatives and incentives from below in pre-assignment competition, and can trigger creative initiatives from the entities taking on the responsibility. Within (internal to) the government apparatus, the responsible officials are of course subject to all the supervisions of the socialist party-state. Outside of (external to) that apparatus, project grantees are still subject to the control of the “examinations of the final product” as well as the incentive of prospects for project renewal or future grants. If in the future, intra-community improvement (including village-level public services and logistical services for agricultural products) can be set up explicitly as a major focus of project grants, it could be conducive to community regeneration and the restoring of social morality. The project grants system, perhaps more positive overall than negative, may be seen as something of a combination of the responsibility assignment system and the contract system within and without the government apparatus—all very much of the third sphere.

The “Socialist Market Economy”

The larger political-economic context and framework of that rapidly emergent and widening third sphere, typified by its method of responsibility assignments and/or contracts, may be seen as falling within the larger framework of a socialist market economy, though a generally neglected aspect of it. “Socialist” to convey the continuance of a central and local party-state with concentrated powers that still owns or controls the key means of production, while allowing ever greater scope and latitude to the very rapidly developing competitive market economy and society. It is that combination that has driven the rapid economic growth and spread of a larger sphere in which the two have come to interrelate and interact, not of either just the state or just the society, as those accustomed to an either/or view of the state/society binary might think. Therein might lie the truly distinctive nature of the Chinese political-economic system today. It also contains the potential for the

forging of a new kind of political economy that is at once Western and Chinese, both modern and traditional (of both imperial rule and the Communist Revolution), one that might yet provide possibilities for forging part of a modern “Sinitic” polity-economy-society that is new to not just China, but also the modern West. All the more so if state enterprises were to be required to turn over a certain fixed portion of their profits for public benefit (Huang, 2012).²

The path for the future, then, seems clear enough. The broad framework set by the Reform period, namely market socialism, concretized in practice as the simultaneous reliance on a strong government and a competitive free market economy, including the key logics of administrative responsibility assignment and marketized contracts, has thus far proven to be in the main sound and viable. What are needed now are adjustments to attend to such issues as the weakness of the domestic market and of social inequities, and a still relatively poor countryside. To lend really long-term sustainable substance to the overarching system of market socialism, what is needed is not to abandon socialist ownership or control of the basic means of production, nor the socialist party-state and its responsibility assigning practices, in favor of Western capitalism, representative democracy, and Weberian bureaucratic government, but genuine social development within the socialist market economy framework toward a more equal partnership between society and the state. That is both to check errors and misjudgments that might arise from imbalances in power between the two, and to generate even greater creative energies by the combining of socialism with market economy, and the socialist state with a matured and developed society in a new-style, semiformal, third sphere.

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² Within that broad framework, two other theoretical concepts seem to me possibly particularly important for the long term. One is a distinction between state-owned and publicly owned: some state-owned means of production can be transferred to the central and local levels of the people’s congresses as representatives of society. The other is the distinction between the macro- and micro-economies: the state would govern the macro level; the market would govern the micro level. This article will not address these important subjects beyond noting them here.

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Philip C. C. Huang has three new book manuscripts in Chinese that are awaiting publication. Two of them are in effect the fourth volumes of his trilogy on the peasant economy and on the justice system. The last is a study of China’s informal economy.