Understanding China: A Dialogue with Philip Huang

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Abstract

This article aims at engaging in a constructive dialogue with Philip Huang. We approach China's administrative governance and economy from different perspectives but arrive at similar and complementary characterizations. I argue that what makes any theory about China valuable and valid lies in its ability to penetrate both China's history and its present, link theory and evidence, go beyond left and right, and combine East and West. Since it has been dominated by Western standards, academic research about China should stand firmly on historical reality as well as constructive dialogue with Western doctrines, but with full awareness of their implicit assumptions, some of which are bundled with Western-specific experiences, and their potential conceptual traps when applied to China. As an ambitious goal, we also should seek to generalize the experiences of both East and West.

Keywords

involuted commercialization, the third realm, centralized minimalism, administrative contracting, dual-market competition model, government-business cooperation

Philip Huang and I have agreed to launch a dialogue that is somewhat special and unprecedented: we each interpret and comment on the other's theories from his own theoretical perspective. We hope this dialogue will not only

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locate our common ground and complementarity, but also identify unresolved important issues and point to directions for future research.

Huang's work has centered on two important themes of Chinese history: one is the history of agriculture and the village economy, and the other is the history of the civil justice system and lower-level governance, both covering the long span of history from the Ming and Qing and the Republican-Guomindang regime to the planned economy of the People's Republic of China (PRC) and on to the present. A striking feature of Huang's wide-ranging work is that each research theme contains a clear and consistent logic penetrating and connecting every major period of China's history, which enables him to link history and the present, combine theory and empirical evidence, and uncover the unique path and underlying logic of China's modernization process. His studies, both analytically innovative and empirically grounded, shed great light on our understanding of China's tradition and modernity and provided important insights into the question of how to transform China into a modernized country.

My own work focuses on the interactions between China's local governments and regional economy, with special attention to the incentives of local officials and administrative governance and their impact on the Chinese economy. My research analyzes the political economy, Chinese style, from two critical dimensions: one is the vertical dimension of central-local and state-society relations, characterized by a top-down, layer-by-layer administrative contracting process, and the other is the horizontal dimension, emphasizing economic performance-based promotion tournaments among local officials. In recent years I have developed a theory of "bureaucratic markets cum economic markets" or a dual-market competition, and argue that China's high rate of economic growth has been driven by a mutual embeddedness of bureaucratic markets (i.e., promotion tournaments among local officials) and economic markets (market competition among firms across regions). The two dimensions, vertical administrative contracting and horizontal political competition, both exhibit historical continuity and innovation, and should be examined together to clarify the unique features of China's administrative governance, political incentives, and economic development.

Huang and I have shared interests in China's economic development and state governance but approach these issues from different standpoints and disciplines. As a historian, Huang views China from a historical perspective while I, as an economist, look at China from an economic viewpoint. Huang focuses on rural economy and legal justice, and village governance in history, while I focus more on urban and regional economy and central-local relations in modern China. Despite such salient differences, surprisingly, we come up with fairly similar and complementary characterizations and theoretical images of China's institutions and governance structure.

Against the background of the serious methodological challenges facing research on China, this article will engage in a dialogue with Huang about how to understand China by reinterpreting his thoughts from my perspective and suggesting new directions for future research.

The Study of China in the Shadow of Western Doctrines

China has long lacked a tradition of analytical social science. Since modern times scholarship on China, both domestic and beyond, has been undertaken and accumulated by borrowing from Western doctrines and applying them to China's context; it is still so even to this day. Undoubtedly, Western theory and experiences have become the starting point and benchmark for every serious scholar who studies China. In his writings, Huang has detailed how the study of China has been deeply influenced and framed by Western mainstream theories, such as Marxism, neoclassical economics, Weberian Continental formalist legal theory, and Fairbank's theory of "[the Western] impact-[China's] response" (Huang Zongzhi, 2005; 2007: 57–89). Even counter-Western-centrist theories, such as postmodernism and the "incipient capitalism" hypothesis, popular in China in the 1950s, share a common paradigm with the Western-centrist mainstream and have failed to break out of the "binary opposites" agenda set by the Western mainstream they intended to counter.

In the area of China's political economy, about which I am familiar, we observe a similar pattern. Scholars who study China's administration and governance commonly wield the following Western mainstream theories for benchmarking their analyses:

1. A theory of limited government. The government is supposed to respect and protect civil rights and deliver public services; democratic elections produce politicians who respect the separation of politics and administration and rule of law; there is a clear boundary between government and market, state and society, and civil rights are a fundamental bulwark against the abuse of state power.
2. Weberian bureaucracy. Modern bureaucracy is rational and rule-based; all decision-making processes and organizational procedures are centered on calculable, predictable principles; the hierarchical structure is supported by a fully funded budget and impersonal authority relations; bureaucrats enjoy stable salaries and welfare provisions.

3. Fiscal federalism. Federal and state relations are defined by the constitution and the responsibilities of each level are determined by the scope of the spillovers associated with the public goods (e.g., national vs. local public goods) they provide respectively; state and local governments enjoy institutionalized autonomy and self-governance within their jurisdiction; local spending obligations are matched with local taxes and funding supplemented by intergovernmental transfers to ensure equalized essential public services across localities. There is tax competition across states and local governments.

Current research on China's government follows the above-mentioned Western benchmarks to identify its unique features. As a result, numerous descriptions and characterizations have emerged. The following is simply a list of a few of them.

1. "Omnipotent or unlimited government." The Chinese government's responsibilities cover every aspect of the Chinese economy and society (Zou Dang, 1994); the boundaries between government and market, state and society are blurred, and the legitimacy of the government comes from economic performance (Zhao Dingxin, 2016).
2. Chinese state governance is informal, and the constraints imposed by rules, procedures, and laws are weak. Collusion, strategic responses, and selective policy implementation are pervasive (O'Brien and Li, 1999; Zhou Xueguang, 2008); authority is fragmented under a centralized framework (Lieberthal and Oksenberg, 1988); the government functions according to "the rule of man," and is mobilization-based with an ambiguous division of responsibilities across agencies (Feng Shizheng, 2012; Zhou Xueguang, 2012).
3. Fiscal federalism, Chinese style (Qian and Weingast, 1997). Despite centralized power clustered at the top, there is a significant degree of administrative and fiscal decentralization under which local governments seek to maximize fiscal revenues by encouraging the entry and growth of firms; the division of labor between the center and local governments highly overlaps and is blurred such that they look like replicates of each other (Zhu Guanglei and Zhang Zhihong, 2005); local governments have to self-finance most of their spending obligations through both budgetary and extra-budgetary income.

A salient feature of such research is identifying various "deviations" and "puzzles" in China's government bureaucracy through a comparison with Western theoretical benchmarks. More importantly, this scholarship tends to

interpret these deviations and puzzles as distortions and failures in China's government organizations. At the same time, these very distortions and failures can often be reinterpreted as manifestations of strong state capacity and China's unique institutional advantages. Examples include fragmented authority under centralization contrasted with integration and coordination through leadership groups and consensus-building decision-making (Wang Shaoguang and Fan Peng, 2013); mobilization-based governance in bureaucracy versus "doing big things by concentrating forces" 集中力量办大事; selective and strategic implementation versus local diversity and flexibility (Zhou Li-An, 2017; Zhou Xueguang, 2012); ambiguous boundaries between state and society; government and market versus deliberative democracy; and close government-business cooperation. In my view, the real issue is not the presence of mutually contradictory phenomena as described in the literature since a certain amount of empirical support can be found for each phenomenon, but the common attitude of accepting the "peaceful coexistence" of these contradictions and the failure to make any systematic attempt to resolve the logical inconsistencies created by these juxtapositions.

China's tradition of state bureaucracy spanning over 2,000 years has exhibited extraordinary historical continuity; it has formed its own governance logic and public administration legacy. As the Chinese economy advances toward modernization in terms of improving technology, China has maintained its unique way of governing state-society and its own unique government-market relations. Needless to say, with its unique historical and institutional conditions, China has followed a development path very different from that of Western countries. However, most scholars heavily influenced by Western doctrines and industrialization experiences ignore these drastic differences and tend to believe that China is undoubtedly moving toward modernization along a path similar to that of Western countries. Consistent with this view, the argument is that China has tried to transplant Western best practices and has undertaken many reforms in public administration, but unfortunately, most of these reforms have achieved only limited success. If asked why these reforms have been unsatisfactory, most people would naturally attribute them to a lack of a thorough commitment to reform, institutional inertia, and resistance from vested interest groups. We seldom consider another possibility, namely, that China has its own institutional logic and evolutionary path such that simply copying Western best practices would lead to incompatibility and adaptation failures.

On the other hand, it is widely recognized that China's government has played a very positive role in China's economic miracle, due to its impressive state capacity (Fukuyama, 2011). The widespread acclaim for China's state capacity from overseas scholars is in stark contrast to various critical reactions

of domestic scholars in the social sciences. Apparently, it is a challenge for our scholars to interpret or reconcile various contradictory descriptions or images of China's government organizations and state capacity.

All these contradictions and confusions in the scholarship on China arise mainly from our failure to deal properly with Western doctrines and experiences when applying them to China's context, such that we are unable to realize the internal logic of China's institutional evolution and modernization in its own light. Many scholars find it convenient to follow the well-navigated application of Western doctrines when engaging in comparative analyses of China, without being aware of their potential conceptual traps and misleading implications.

In the preface of his book *Experience and Theory* (Huang Zongzhi, 2007), Huang raised the following questions:

> What does Chinese historical reality imply in the face of so many theories from modern social science and history? What kinds of help can Western mainstream theories offer for our understanding of China's historical reality, or conversely, what kinds of misconceptions will they generate? What kinds of theories and conceptions do we need to understand China's historical reality? (p. 1)

Huang's research offers an outstanding example of how to uncover the unique features and underlying mechanisms of China's economic and legal history by engaging in a constructive dialogue with Western doctrines, identifying the roots of China's practices, and drawing on solid evidence. He has developed several concise and thorough conceptions, such as "involutionary commercialization," "the third realm," and "centralized minimalism," to describe durable institutional characteristics and define critical issues throughout Chinese economic and social history. In addition, the underlying methodology of these conceptual constructs has particularly important implications for resolving confusion and misconceptions in current research on China. I also find that Huang's insightful theories have close bearing on my own conceptions of China's administrative governance and political economy, such as administrative contracting and dual-market competition, which makes it an interesting venture to locate the common ground of our theories developed through contrasting disciplines and perspectives, stimulate new thinking, and identify new research questions by discovering issues unresolved by our current theoretical frameworks.

In what follows, I will first review Huang's main theories of China's economic and legal history and then, from my own perspective, comment on them and give my own interpretation. I will also lay out certain new research questions arising out of this dialogue and present my preliminary thinking about them.

Chinese Judicial History and Lower-Level Governance

Huang's Studies

Philip Huang's research on China's judicial practices in history and lower-level governance has revolved around a consistent theme, namely the interaction of court adjudication and societal mediation in practice. His work on judicial practice in the Qing is based on civil litigation cases compiled from archives in the counties of Baxian in Sichuan, Baodi in Shuntian, and Danshui-Xinzhu in Taiwan. Huang's focus on civil litigation is motivated by the fact that in imperial China, lawsuits over marriage, property, inheritance, debt, and so on were regarded as "minor matters" compared with criminal cases. There is consensus in Western scholarship (including studies on Chinese history by Japanese scholars) that China's court adjudication primarily involved didactic conciliation and moral education. If this is true, then we should observe much more moral education-oriented mediation in less important civil justice.

What Huang discovered from the county archives presents a drastically different picture. The civil litigation cases revealed that when a lawsuit arrived at the county court, the magistrate would encourage the litigants to achieve an out-of-court compromise/settlement; if the settlement failed and the plaintiffs insisted on suing, then the case would go back to the court for adjudication. In the court trial process, mediation no longer played a role and the magistrate adjudicated the case by strictly following the Qing code. An exploration into the interaction between court adjudication and societal mediation led Huang to his important conception of the "third realm" (Huang Zongzhi, 2014b). The third realm represents a sphere between the state and society and one where civil disputes could be resolved through semi-governmental and semi-community channels. When a dispute came to the attention of magistrates, their typical reaction was to ask the litigants to seek societal mediation and settlement. The magistrates would actively guide the mediatory process, sometimes using unfavorable court adjudication as a threat to press the litigants to compromise. The *xiangbao* quasi-bureaucrats played an important role in coordinating and mediating settlements. A court trial was regarded as a last resort.

As a combination of a formal and informal justice system, the third realm turned out to be very important in resolving societal disputes in the Qing. Among all the dispute cases (628) contained in the archives of the three counties mentioned above, about two-thirds were peacefully and voluntarily resolved through these half-court, half-out-of-court channels. This finding is

quite revealing since the Western judicial system is predominantly court-adjudication-based, and if we follow the Western perspective to understand China, we would get a very biased picture of Chinese judicial practices.

The third realm appeared not just in the justice system but was also widespread in the interplay of state and society, which is in stark contrast with the Western conception of "civil society" or a "public sphere" (Huang Zongzhi, 1999). In the late Qing and the Republican period, local gentry played a crucial role in constructing irrigation systems and roads, building new schools, and resolving disputes. According to Rowe (1984), in the development of modern Chinese cities, merchant groups actively engaged themselves in urban administration in cooperation with local governments, such as maintaining urban public facilities and public security, mediating business disputes, and asserting the interests of business groups. This kind of interactive relationship between state and society also existed in the collectivization period and continued to exist in the Reform era. The villages were organizations administered by the collective, a mixture of state-owned organizations (such as state-owned enterprises) and rural communities (such as kin groups). Similarly, village cadres were not state cadres, who enjoyed state salaries, promotion up through the state bureaucracy, and welfare benefits, but they were also different from common peasants.

The Chinese judicial tradition of combining formal adjudication and informal mediation continued into the PRC and evolved into court-based mediation (Huang Zongzhi, 2014b). This court-based mediation developed by the Chinese Communist Party is different from both traditional out-of-court mediations in imperial China and adversarial litigation in Western countries. The resolution of divorce disputes is an excellent example illustrating this new judicial practice. In the case of a unilateral request for a divorce, the judge would not adjudicate in the court directly, but went out of the court and investigated the fact situations on site by communicating with both parties, and sometimes with the leaders of the work units of the litigants. The major goal of these efforts was to achieve a compromise and save the marriage. The Marriage Law enacted in 1980 formally stipulated the quality of the "emotional" relationship of couples as the foundation of marriage, and only a breakdown of this relationship justifies the granting of a divorce. This judicial practice acknowledges the Communist conception of marriage based on free will, and at the same time allows for mediation by judges and courts.

The concept of the third realm has a close bearing on another of Huang's important analytical concepts: centralized minimalism (Huang Zongzhi, 2008). Like the reliance of the Chinese justice system on semi-formal government, semi-formal community mediations, Chinese traditional administration relied extensively on informal quasi-bureaucrats and minimalist governance

at the village level. Imperial China witnessed an interesting contrast: on the one hand, the emperor's power was absolute and despotic, and all government officials were subject to his appointment, evaluation, and control; the power of the imperial court was extremely centralized; on the other hand, imperial rule rested on numerous quasi-bureaucrats and informal institutions to govern society; village governance was minimal. As long as rural communities remained peaceful and orderly, the yamen would respect the self-governance of villages and communities and delegate local affairs to quasi-bureaucrats (xiangbao). In the Republican regime, state power extended into rural areas and established a new layer of local government—district-level government. Compared with the xiangbao in the Qing, the heads of natural villages had a narrower power—confined only to the natural villages—but their scope of responsibility expanded to including the collection of new taxes. Despite this change, the minimalist governance remained: as long as villagers did not appeal to the government to settle disputes, and village heads could hand in the targeted tax revenues, the de facto power of local leaders in local administration would not be challenged. After the founding of the People's Republic, state control of the villages substantially deepened with cooperation from party members and activists in the villages. However, village leaders still had significant discretion over village matters. The Maoist era witnessed the wide spread of basic education in rural areas in the form of the "community operation with state assistance" 民办公助 system, which reflected a minimalist approach to promoting education. Therefore, New China featured a massive expansion of state power and formal bureaucracy, but at the village level, non-bureaucratic and informal governance seemed to persist.

My Interpretation and Extension

Reading Huang's writings on Chinese judicial history is an enlightening experience. On the basis of rich civil litigation archives, he not only paid attention to official ideology and legal representations, but also took pains to go through the concrete process of judicial practices and uncovered the operative logic of the Chinese justice system and its historical evolution. Comparing official legal representations with judicial practices led Huang to conclude that "what was declared was one matter, and what was done was another; what was both declared and done was still another." Since Western scholarship on Chinese justice emphasizes its formal representation and court adjudication, simply following this Western-centric approach to evaluate the real nature of China's legal system in the imperial period will lead to a serious bias: the formal part of the legal process only constituted the tip of the iceberg; its informal practices of mediation and interactions with court adjudication are key to understanding

China's judicial system and its evolution. This observation uncovers the intricacies of China's legal tradition and presents a forceful rebuttal to the Western-centric point of view. More strikingly, aided by Huang's analysis, we are able to detect a deeply rooted legal legacy, just like an endlessly flowing river, which originated in the imperial period, continued through the Republican-Guomindang regime, and into the planned economy period and the Reform era. There is remarkable continuity in this long history as well as innovations and changes along the way.

All the secrets for understanding China lie in the intriguing interplay between government and market, and state and society. This very interaction, which is typically viewed as a "marginal sphere" from a Western perspective, is where Huang's influential theories of "the third realm" and "centralized minimalism" originate. In recent years I have developed conceptual frameworks such as "administrative contracting" (Zhou Li-An and Wang Juan, 2012; Zhou Li-An, 2014, 2016, 2017), and "dual-market competition" (Zhou Li-An, 2017, 2018), which also touch upon the interplay between government and market, and state and society in modern China. Despite our different viewpoints and focuses, Huang and I share a similar research agenda and arrive at similar observations about China. Therefore, it is worthwhile to explore this complementarity and its implications for our theoretical constructs.

Centralized minimalism emphasizes an interesting contrast between the centralization of state power and formalized bureaucracy at the higher level of government and informality, quasi-bureaucracy, and minimal governance at the village level. In other words, this is a mixing of centralization and decentralization, formality and informality, bureaucracy and non-bureaucracy at the interface with villages, a conjuncture between state and society. Administrative contracting highlights a paradoxical contrast between top-down authority relations in a central-local structure governed by strict administrative rules and market-like contracting from top down within a hierarchical bureaucracy. A typical form of an administrative contract is the target-oriented responsibility system 目标责任制 where the targets of higher-level government are decomposed and contracted to lower-level governments or agencies. The contractors have significant discretion to decide how to attain the contracted target but rely largely on self-financing; the contractors will be evaluated and rewarded (or punished) primarily by whether they reach the target, without much attention paid to whether they comply with rules and procedures. By contracting, the contractor exchanges the responsibility for self-financing in order to reach an assigned target (sometimes subject to negotiations and bargaining) for the superior's countenance of the contractor's de facto power in achieving the target through the relaxation of the constraints of administrative rules and procedures. Thus, a contracting relationship within the bureaucracy transforms a

purely hierarchical and authority relationship between superiors and subordinates into a more equalized and contractual relation between principals and contractors. Compared with the formality of hierarchical power relations, contracting in a bureaucracy is supported by implicit consent and informal relations between superiors and subordinates engaged in a repeated game. There exists no third party to enforce the contract, and the mutual commitment to carry it out comes from the long-term relationship and reputational concerns of the parties involved. Furthermore, administrative contracting combines the centralization of hierarchical authority with the decentralization of a contract in a formal bureaucracy.

Embedding an informal, decentralized contract into a formal, centralized bureaucracy appears to be a paradoxical combination in terms of the Weberian ideal-type of bureaucracy. I call this a "centralization-decentralization paradox" (Zhou Li-An, 2017). In the light of administrative contracting, the concept of centralized minimalism—emphasizing, as it does, the contrast between formal and informal, bureaucratic and quasi-bureaucratic arrangements—not only fits into the interplay between lower-level government and villages, but also into China's entire administrative system and is present in any interplay between higher-level and lower-level governments. The only qualification for this extension into all of China's administrative system is the recognition that, unlike village leaders who have quasi-official status, contractors in the interaction between higher-level and lower-level governments have official status, and that the focus be shifted to the minimalist character of governance in a contract, such as target-based quantification of responsibilities, results-based performance evaluations, and fiscal contracting and self-financing.

Drawing on the insight of centralized minimalism, administrative contracting can be more precisely characterized as "contingent governance" (Aoki, 2001) when it is applied to describe the interplay between county governments and villages. In the imperial period, the county government did not involve itself in village affairs and village leaders enjoyed autonomy as long as no serious conflicts or disputes occurred; when civil conflicts appeared, the magistrate would preferably leverage civil mediation and delegate the job of crafting a settlement to the rural community and lineage groups. Court justice came into play only when civil mediation failed. Village leaders in the Guomindang period faced an increasing burden of collecting taxes, but their contingent autonomy was essentially maintained throughout this period. Entering into the People's Republic of China, state power penetrated greatly into the villages and village leaders were granted much greater responsibilities. Even with so many important changes, the minimalism and contingency of village governance largely remained intact.

Bringing in the notion of contingent governance helps sharpen and enrich the theory of administrative contracting. When the principal "signs" the contract with the contractor, it does not mean that the principal will allow the latter total freedom of action in executing the contract. Rather, the nature of the contractual relationship is that the contractor's de facto power/autonomy of contract enforcement will be honored only when there is no serious trouble or crisis. A conflict or crisis will trigger a step-in of the principal and temporary ending of the contractor's self-governance. In this sense, contingent governance links two aspects of administrative contracting that are integrated and yet seemingly contradictory: the absolute authority of the principal over the contractor and the de facto autonomy of the latter. This contingency of governance is manifest in the interplay of state and society, as well as the interplay across hierarchical levels in the entire government.

Aided by the theory of administrative contracting, one can more clearly define and characterize some aspects of centralized minimalism. For example, xiangbao as quasi-bureaucrats played an important role in mediating and coordinating relations between magistrates and peasants. The quasi-bureaucracy was extended to the leaders of natural villages in the Republican period and of administrative villages in the People's Republic. The changes in the identities of the village-affairs' contractors as quasi-bureaucrats correspond to the alternations of the organizational boundaries of administrative contracting, which are driven by fiscal extraction, state capacity, and other factors (Zhou Li-An, 2016). I define the organizational boundaries of administrative contracting as determined by whether the parties to the contract are included in the promotion system or not and whether they are subject to the constraints of administrative rules and procedures. According to this definition, a distinctive characteristic of quasi-bureaucrats is that they are excluded from the promotion system of the government, or simply are "outside the system" 体制外. The other important characteristic of quasi-bureaucrats is self-financing of their administrative obligations such as tax-collection and conflict resolution. In all these cases they receive no salaries or welfare payments from the government for their assigned jobs. In the PRC, the compensation for village leaders is collected from their fellow villagers. As illustrated above, the self-financing of assigned obligations by contractors constitutes a key component of the administrative contract in China. In exchange, the principal may grant or acquiesce in the contractors exercising some discretion in fulfilling their economic interests through leveraging the authority delegated to them, such as collecting extra fees.

In the Ming and Qing, in contrast to criminal cases, civil disputes involving marriage, land, property, and family were regarded as "minor matters" and less subject to the scrutiny of the imperial government. The imperial

court took criminal cases much more seriously and kept a closer eye on the court trial decisions of magistrates. A capital sentence would be valid only after certification from the Board of Punishment. This classification of civil versus criminal cases and the resulting difference in the delegation of judicial power is consistent with the prediction of my theory of administrative contract. As I argue elsewhere (Zhou Li-An, 2014: 20–22), the scope and degree of administrative contracts depended on the costs of administration and monitoring as well as governance risks associated with the contracting of the provision of public services. The governance risks refer to the threat of rebellions and revolts among ordinary people due to misgovernance and abusive use of the discretion of contractors. Other things being equal, the more local affairs were likely associated with governance risks, such as the trial of criminal cases, the more central government would keep control over these affairs and the less discretion local contractors would enjoy.

Huang has identified several distinctive features of the Chinese judicial tradition by making reference to Western formalist law. First, there existed the third realm where the magistrate/judge's adjudication was mixed with informal civil mediation. Under Communist rule, there emerged a unique form of court-based mediation. A recent development of this legal tradition is an "integrative resolution" 综合治理 approach, namely combining judicial settlement with the goals of achieving economic development and social stability. Second, unlike the Western legal system centering on protecting civil rights, China's formal legal code and justice system were and still are mingled with extralegal considerations. For instance, the *dian* 典 rights protected by the Qing code in principle allowed the seller of land to buy it back at any point in the future for the original sales price. This buy-back right, which aimed to limit a massive concentration of land and prevent peasants from losing their land forever, was unique to China's legal tradition and does not exist in Western law. Another example is the no-fault tort case where the no-fault party has to compensate the victims according to the circumstances. China's current divorce law relies on the couple's *ganqing* 感情 ("feelings") as the decisive standard for granting a divorce as a way to maintain family stability; the obligation of taking care of parents in their old age is included in civil law to prevent abandonment of the elderly.

We need to ask a further question: How can the continuity of the Chinese legal tradition described above be explained? Is it an instance of natural historical inertia or is there any institutional context that "reproduces" this tradition? In discussing Weber's concepts of "substantive rationality" and "patrimonial bureaucracy," Huang has clarified the nature of the Chinese justice system (Huang Zongzhi, 2007: 179–90). In his view, the Chinese traditional judicial system is different from the Western formalist legal tradition,

but not so instrumental or irrational as so-called *khadi* law. It does reflect the will of the emperor and the moral ideals of Confucianism, which not only makes the legal system "substantive" in nature but also provides considerable predictability and stability in guiding the resolution of civil disputes. Undoubtedly, the predictability and stability of legal codes and practices is an important characteristic of rationality.

My theory of administrative contracting offers an explanation of the reproduction of the Chinese legal tradition from the imperial period to the present day. A durable feature of China's public administration over this long span of history has been that local governments comprehensively contract the administration of local affairs, ranging from tax collection and moral education to social stability; justice is only one section/agency of local administration. When the central government evaluates the performance of local officials, it follows a key principle of "jurisdictional management": any matter appearing in an official's jurisdiction falls within the scope of the official's responsibility (Zhou Li-An, 2017). Since the geographical boundaries of a jurisdiction are well defined, the local official is literally the ultimate contractor responsible for all local affairs in his jurisdiction. Given this principle, the magistrate would naturally take a broad approach to settling civil disputes in the judicial process; he was not simply a judge, but also a magistrate or "father and mother official" who was responsible for the subsequent consequences of court trials. If a trial failed to pacify the litigants, or the root causes of conflicts were not effectively addressed, the litigants would appeal to the court again, and the magistrate, in the end, would be obligated to settle the dispute. Maintaining social order has invariably been one of the most important responsibilities of local officials and is subject to serious evaluation by the central government. In imperial China, the two core jobs of magistrates were tax collection and social stability. Therefore, when a lawsuit was brought to the court, what the magistrate sought was not to establish the legal rights and wrongs of the related parties, but rather a compromise between the parties and resolution of the lawsuit 息讼. Both the emperor and the magistrate would allude to the highest principle of the justice system, namely an ultimate resolution of social conflicts and disputes whenever possible.[1] The principle of integrative resolution was incorporated into the legal codes drafted by the government, but also reflected in judicial practices at the local level.

By comparison, the independence of judiciary justice in Western countries is assured by the rule of law or the separation of administrative and judiciary branches. Professional judges adjudicate by strictly following universal legal principles and worry little about the social consequences of court trials as long as those trials are based on the rule of law. The Western separation of administrative and judiciary functions does not exist in China's top-down,

layer-by-layer administrative contracting of public services, where these two functions are closely intertwined. When a lawsuit occurs, the objective of assuring social stability often pressures local officials (judges) to deviate from abstract legal principles and lean toward a more practical, integrative approach to conflict resolution. In practice, codified provisions have to give way to or at least incorporate the principle of integrative resolution. This is why there has been so much mingling of extralegal factors in the legal code and court adjudication in the history of justice in China. The purpose of protecting the buy-back rights of the seller of land was to limit the concentration of land in the hands of large landlords and avoid the permanent loss of land for households who were hit by bad shocks. The purpose of the compensation obligation for the no-fault party in tort cases was also to offer the victims (probably poor people) some "subsidy" for the damage they suffered even though no one was to blame. Using the quality of emotional relationships of couples to judge the necessity of divorce serves to maintain a family's stability whenever possible, protect the rights of children, and uphold social order. In a similar spirit, adult children are legally responsible for taking care of their aged parents. The integrative resolution approach also explains why the magistrate preferred societal mediation over court trials or strategically used court adjudication as a threat to enhance civil mediation. Mediation through community or kin groups was more effective in resolving disputes than court trials since civil mediation typically involved some respected individuals from the rural community who were either powerful or trustworthy. Once a compromise was reached, no related party would dare to violate it since that would run the risk of incurring the ire of powerful and respected figures in the local community.

The third realm of China's judicial practices challenges Western mainstream conceptions of state-society relations and "civil society," which presuppose a clear boundary between state and society. My study of the organizational boundaries of administrative contracting echoes and complements Huang's theory of the "third realm." I have argued elsewhere that China's state-society relations have long featured a continuous sequence and spectrum of administrative contracting, and that Western conceptions of state-society relations are not applicable (Zhou Li-An, 2016). In the Ming and Qing, the clerks in the county government were excluded from the formal bureaucracy (more importantly the bureaucratic promotion system) after a historical process of "separation of bureaucrats and clerks." Although clerks still worked "inside the yamen" 衙门之内, they were actually "outside the system" 体制之外. The original internal subcontracting from bureaucrats to clerks before the separation process was transformed into an external subcontracting (or an outsourcing relationship) with clerks when they were "outside the system." I call this process the

"externalization of internal administrative subcontracting." On the other hand, in the interplay between the government and villages, the magistrates outsourced public services (e.g., road construction, poor relief, and moral education) to local gentry, and in exchange local gentry received some privileges (e.g., tax waivers) and honors from the government. These external administrative subcontracts were not simply arm's-length relations as in the marketplace; they contained certain elements of "inside the yamen" due to the state's conscious efforts of recruitment, cooption, and absorption through sales of government posts, imperial entrance exams 科举, and granting of privileges. As a result, local elites confronted a ladder of social status promotion controlled by the state. I call this external administrative subcontracting augmented with state recruitment, cooption, and absorption the "internalization of external administrative subcontracting."[2] Hence, the administrative subcontracting spanning from the central to local governments and from the state to society was a continuous process. First, central-local hierarchical relations exhibited an overall process of internal subcontracting, but gradually transformed into de facto external subcontracting when public affairs were subcontracted to lower-level clerks who were "inside the yamen" but "outside the [promotion] system." Second, state-society relations were typically governed by external administrative subcontracts, but these outsourcing relationships tended to be "internalized" by state recruitment, cooption, and absorption. In the interplay of lower-level government and society, the externalization of internal subcontracts met with the internalization of external subcontracts, and thus the state and society were seamlessly interlinked. I make use of the distinction between internal and external administrative subcontracts to describe the mixing and interplay of state and society, which is precisely the focus of Huang's theory of the "third realm." Even though we have different conceptions and interpretations, Huang and I both arrive at point where we identify a large gray area of quasi-bureaucracy and semi-society in China in stark contrast with a well-defined "civil society" or "public sphere" insulated from state power in the Western context.

In other of my research I have examined the dual-market interactions of politics and business that emerged in the post-Reform era (Zhou Li-An, 2017, 2018), which is closely related to the notion of the third realm but with a significant extension. In the past several decades, the promotion of local officials has been linked with the economic performance of their jurisdictions (such as GDP growth and fiscal revenues). I have characterized this performance-based promotion among local officials as "political tournaments" (Zhou Li-An, 2004, 2007, 2017; Chen, Li, and Zhou, 2005; Li and Zhou, 2005). Since the promotion of local officials is related to GDP or fiscal revenue growth, the political destiny of those officials depends on the size of

value-added created by local firms in the market in competition with their domestic and overseas rivals. This has led to an interesting interaction of dual-market competition, namely, political market competition among officials 官场竞争 and economic market competition among firms 市场竞争. The outcomes of political competition depend on the market competitiveness of local firms. On the other hand, local officials have taken various measures at their disposal (e.g., subsidies for R&D, infrastructure construction, and industrial policy) to enhance the market competitiveness of local firms. In this dual-market competition, local officials are motivated to cooperate closely with local firms through formal and informal networks in hope of making them competitive. The effectiveness of government-business cooperation, including the matching of political and market entrepreneurs, ultimately determines the growth performance and its sustainability in a region. Note that in this dual-market competition, the closeness of government-business cooperation within a jurisdiction is shaped by intensive political and market competition across jurisdictions. With more intensive cross-regional competition, local officials and local entrepreneurs have to find more effective ways of cooperating in order to meet the increased threat of market competition. The government-business cooperation within a jurisdiction cannot be described as simply government intervention or market domination; it is, rather, a close interaction between government and market. This is another form of the third realm, not in the sense of the state-society relations as defined by Huang, but in the sense of government-market relations. If we accept that the third realm of China's judicial practices created a Chinese way of resolving civil conflicts by leveraging both the state's coordinating role in society and the self-governing power of local communities supported by lineage groups, then the third realm of government-market relations since the Reform era has offered a Chinese model of economic development and opening by stimulating the entrepreneurial spirit of government officials and businesspeople in intensive cross-regional competition and the cooperation of local political and economic elites.

The theories both Huang and I have separately developed but which somehow resonate with each other, such as the third realm, centralized minimalism, administrative contracting, and the dual-market competition model, shed new light on the Chinese legal tradition, local administration, and government-market interactions, all of which have tended to be viewed unfavorably by Western mainstream approaches. According to the Western formalist legal model, China's judicial tradition of mixing court adjudication with community and kin group mediation is a form of irrational "*khadi* law" (Huang Zongzhi, 2007: 180). As forcefully argued by Huang (Huang Zongzhi, 2007), China's justice system nonetheless provided a significant degree of

predictability and stability in settling civil disputes, something that has been ignored by Western scholars. More importantly, court-fashioned compromises and reconciliations often brought about the ultimate resolution of conflicts and maintained social order at a relatively low cost. Of course, these benefits of the Chinese legal tradition also came with certain costs. Relying on community mediation could lead to blurring of the line between legal right and wrong and encroachment on the rights of the parties involved. The Western legal system centering on the protection of civil rights results in excessive litigation and adversarial confrontations. Many lawsuits in such a system actually end in out-of-court settlements due to the exorbitant legal costs involved. Recently there has been serious discussion in the Western legal profession about alternative dispute resolution (Huang Zongzhi, 2007). This suggests that China's legal tradition provides valuable lessons in the search for legal reforms in the West.

Similarly, government-business cooperation in Reform-era China has been stigmatized as collusion, rent-seeking, and corruption. And it is widely believed that close government-business relations are "problematic" and should be eliminated when China moves into a mature market economy. Not surprisingly, this popular view originates from the mainstream neoclassical economics argument that there should be a clearly defined boundary between government and market. It maintains that the government should retreat from the market after providing some basic public services and leave the market to play the key role of coordination. As a parallel to the dualistic view of the state-society relations, this is a typical "dual opposition" approach to government-market relations: once beyond a minimum level any increase in government intervention would hurt the functioning of markets. As I have explained elsewhere at length (Zhou Li-An, 2017, 2018), close government-business cooperation in China has served to offer private enterprises a helping hand rather a grabbing hand. In the weak institutional environment of transition economies, state predation had pervasively hindered the entry and growth of private businesses (Frye and Shleifer, 1997). China was no exception since it also came from a planned economy regime with a legacy of ideological and policy discrimination against private ownership and significant discretionary power of government. The dual-market competition motivated local officials to attract mobile physical capital from elsewhere by committing themselves to protect property rights and provide good infrastructure and a receptive policy environment. A critical factor in limiting government-business cooperation from degenerating into outright collusion and rent-seeking is intensive market competition with other regions (including international markets), which feeds back into the tournament competition. The effective government-market interactions at the regional level laid the institutional foundation

for China's high, sustained economic growth. China's economic miracle cast doubts on the neoclassical oversimplistic view of government and market relations.[3]

Agriculture and Village Economy in Chinese History

Huang's Studies

Population pressure and the persistence of peasant family farming constitute a central theme in Philip Huang's research on Chinese rural social-economic history. As China arrived at the gateway of modernization and industrialization, its population-to-land ratio far exceeded that of England on the eve of the Industrial Revolution, and was also higher than that of Japan, South Korea, and the Taiwan region at the start of their economic take-off. Drawing on detailed microdata and household surveys, Huang discovered agricultural "involution" in the villages of northern China and the Yangzi delta area. This involution was due to the overintensified application of family labor on the limited land. Agricultural involution or overintensification refers to diminishing marginal returns to labor despite the increasing total output per cultivated mu of land, such that the marginal product of labor cannot even cover the laborer's daily subsistence-level consumption. The overintensified use of labor arose as a rational response to the fact that unlike a capitalist firm, the peasant household cannot fire family members no matter how low their labor productivity is. When there is no outside opportunity to earn money, family laborers are simply sunk costs, and it is rational for the household to put them to work on the land to the extent that their marginal product declines to zero and the total output of the land is maximized. Therefore, agricultural involution was primarily driven by China's unique population pressure over time combined with family-based farming. This explains the historical persistence of the "high-level equilibrium trap" of Chinese traditional agriculture: average agricultural output already reached a historical record as early as in the Ming and Qing, but peasants still lived an extremely poor life, barely feeding themselves. Huang has described this overintensification process as "growth without development" (Huang, 1985), namely the growth of total output on land without increases in labor productivity, which captures the essence of the history of China's agricultural dilemma. In the Yangzi delta, the involution and overintensification in crop production extended into household sideline production, which featured a three-way combination of cultivating cotton, mulberry trees, and silkworms, and further into the rise of household handicrafts, consisting of cloth and silk weaving and yarn spinning. In this

development, traditionally supplementary labor (women and children) in peasant households and the leisure time of adult labor were all mobilized to provide manpower for labor-intensive household sidelines and handicrafts, which contributed to an increase in the income of peasant families but at the cost of diminishing returns to labor per work day, which was even lower than that in crop production. In the late Qing dynasty China witnessed an emergence of nationally integrated markets for crops, cotton, and cloth, and the rise of commercial towns and cities, especially in the Yangzi delta, specializing in trading of cotton and grain. However, such extensive commercialization in the rural areas of the Yangzi delta did not lead to an increase in labor productivity and improvement in living standards as Adam Smith would have predicted, but instead the extension of the involutionary logic to peasant households' sidelines and handicrafts. Huang termed this paradoxical phenomenon "commercialization without development" (Huang, 1990).

In the collectivization period, many important things changed in and outside agriculture, such as the establishment of collective production, the improving of irrigation systems, the introduction of modern agricultural inputs (e.g., fertilizers and high-yield crops), and massive industrialization and urbanization. Surprisingly, the logic of agricultural involution seemed to persist in this new era, as Huang demonstrated (Huang, 1990). First, rural population growth sped up thanks to the decline in the mortality rate resulting from an improvement in health care. While urban industrialization absorbed a significant proportion of rural labor, the population pressure on agricultural land remained, if not increased. Second, the rationale for maximizing total agricultural output survived the regime shift. In the late 1950s, the traditional peasant economy was replaced by people's communes and production teams after the collectivization movement, and rural commercialization was replaced by planned agriculture and state procurement and distribution. Just as the peasant household faced in traditional farming, people's communes could not fire commune members, so they sought to maximize the output of grain per unit of land to fulfill the procurement obligations, without caring about the labor costs. A clear indication of the agricultural involution in this period was the massive participation of women in collective farming.[4] As a result of intensive labor utilization on land, although agricultural output increased threefold in a period of 30 years after Liberation, the labor productivity and the per capita income of peasants experienced no substantial improvement (Huang, 1990). Poverty remained widespread throughout the countryside in the pre-Reform era.

In the late 1970s, China started to replace collective farming with the household responsibility system. Peasant-family-based farming returned to dominate agricultural production. While the mainstream literature credited

the household responsibility system with increasing agricultural output, Huang warned against exaggerating the role that incentives in family farming played in solving China's agricultural problems, especially the problem of overintensification driven by population pressure. If the heavy burden of labor on the land had not been alleviated, the miracle of overcoming agricultural involution would not have been possible. The agricultural revolution in the post-Reform era occurred only after the rise of township and village enterprises, the emergence of peasant household sideline production with high-returns, and massive migration into urban areas for industrial employment since the mid-1990s.

When we naturally might have anticipated a gradual disappearance of agricultural involution in contemporary China, the logic of overintensification reappeared with a new face. Huang's recent study on informal sectors/workers in contemporary China has brought to our attention the existence of a large informal sector in the Chinese economy (Huang Zongzhi, 2014a). China's increasingly modernized technologies and globally competitive manufacturing industries in the past decades led us to believe that, following the logic of W. A. Lewis's well-known paper (1954), it would not take long for China to move from a dual economy to a modern economy. However, underlying this glorious transformation has been a sizable underground sector of the economy mostly consisting of domestic private firms in both urban and rural areas which employ numerous migrant workers at much lower wages than the formal sector, and which do not pay social security, thus rendering their workers ineligible for the legal protections in China's new labor law. A large proportion of those informal workers usually work part time in factories near their rural homes and many return to the village to bring in the harvest or spend some leisure time. Again, in the contemporary period as in earlier eras, we see the attempt of peasant families to mobilize all working resources in various economic activities, some of which earn fairly low marginal economic returns, to maximize family incomes. This attempt typically involves combining family farming using supplementary laborers within households (e.g., elders, adult women, and children) and off-farm employment by male adults. This tendency of family diversification and extension in production can be regarded as a new form of involution in peasant family production. The insurance offered by continuing farming back in the village has enabled migrant workers to tolerate unlawful and low-paid employment in factories, while off-farm earnings have raised the living standards of entire families. And as argued by Huang (Huang Zongzhi, 2014a), the existence of a large informal sector and low-paid informal workers has also subsidized China's low-cost manufacturing and enhanced its global competitiveness.

Huang's studies on the history of Chinese agriculture and village economy have presented a set of paradoxical phenomena that seriously challenge Western mainstream doctrines. Here I list just three of them. The first paradox is "involutionary commercialization." Adam Smith proposed a well-known hypothesis in his *Wealth of Nations* that the expansion of market scope will enhance the division of labor and specialization and thus increase labor productivity. The British eperience in commercialization and industrialization provided empirical support for Smith's prediction. But what happened in the Ming and Qing was the concurrence of the expansion and integration of grain and cotton markets across regions and the overintensification of labor at the peasant household level through diversification of production in grain, cash crops, and handicrafts. The extension of labor from grain production to cash crops and handicrafts was accompanied by a marked drop in economic returns per work day.

The second paradox Huang has put forward is "growth without development." Marx famously predicted a rise of large-scale farming based on hired labor and the bankruptcy or collapse of traditional family farming as capitalism moved ahead. In other words, capitalist development would replace less efficient modes of production (e.g., traditional peasant family farms) with more efficient ones (large-scale capitalist farms utilizing machines and hired labor). While North China's villages did witness the appearance of hired-labor-based farming, it was more or less exceptional, only accounting for less than 10 percent of total farmwork (Huang, 1986: 81). Family farming based on household labor thus remained predominant in North China and the Yangzi delta in the Ming and Qing even when the markets for land and labor were quite active in those areas. It is not hard to understand why large-scale farming employing hired labor failed to become the dominant mode of production: family farming using family labor (including supplementary labor) saved both labor and monitoring costs, which put large farms employing wage earners and supervisors at a disadvantage even though the latter enjoyed higher labor productivity. Huang showed that the large farms employing hired labor did not produce yields substantially higher than the small ones using family labor (Huang, 1985, 1990). Agricultural involution and overintensification have also punctured Theodore Schultz's hypothesis about "rational peasants," namely that small peasants are rational and optimally responsive to outside economic opportunities, and thus traditional agriculture is efficient subject to its technological and market constraints, and exhibited no surplus labor (Schultz, 1964). The hypothesis of no surplus labor is inconsistent with the reality of pervasive overintensified use of labor (including supplementary labor in the household) with marginal returns to labor falling to the point where they were lower than the subsistence level.

The third paradoxical phenomenon is the presence of an informal sector and informal migrant workers in contemporary China, which seems contradictory to Lewis's famous theory of "dual economy" (Lewis, 1954). According to that theory, economic development implies a transition from a dual economy (the coexistence of traditional and modern sectors) to a modern economy, and such a transition is characterized by a gradual migration of surplus labor initially employed in the traditional sector (e.g., agriculture) into the modern sector. What we have observed in contemporary China, as pointed out by Huang (Huang Zongzhi, 2014a), is that a large number of peasants have migrated to modern manufacturing or the service sector, but in informal and illegal ways; some of them have moved back and forth, "half in agriculture, half in industry" 半工半耕. Obviously, these migrant workers in the informal sector do not fit into the picture painted by the theory of "dual economy," but constitute an important part of the Chinese economy.

My Interpretation and Extension

Huang's study of the Chinese peasant economy has revealed that land-to-population ratios have been the key driver of Chinese civilization and have shaped the nature of the peasant economy, the urban-rural divide, and state governance and its evolution in the past several hundred years. The most remarkable part of his analysis lies in the logic of involution, or overintensification, covering hundreds of years of Chinese history all the way into the planned economy and post-Reform era. Involution was manifested in different ways in different historical periods—including involutionary commercialization; a three-way combination of cotton cultivation, yarn spinning, and cloth weaving; the massive participation of women in farmwork; and informal sector/workers—but the fundamental driving force underlying all these manifestations remained unchanged. An important implication of these analyses is that the route to China's modernization lies in de-overintensification, a process driven by either industrialization/urbanization or a move to high-yield modern agriculture.[5] Huang's analysis of informal sector/workers as a new form of involution in contemporary China is insightful since this concept of formal versus informal sectors/workers in China's context goes beyond conventional notions of worker-peasant, urban-rural, white-blue collar, capitalist-proletariat differences, and drives home the differences between the two social groups in terms of income, well-being, and status. Only viewed from this angle can we truly understand the real nature of "migrant workers" 农民工 in contemporary China: they earn a living as workers, but are actually peasants; they look like peasants, but work in factories; whatever crops they grow back in the village make it possible for them to tolerate poorly paid

urban jobs; and their employment in industry helps support their families back in the village. They literally constitute "another China" and demonstrate the real problems of modernization with Chinese characteristics. Current academic literature and policy discussions mainly framed by the theory of "dual economy" essentially have failed to recognize the existence of such people; they live as if they were invisible and remain off the radar of state policies.

A distinctive feature of a good theory is a combination of simplicity of theory and richness of implications. Huang's theories meet these tests quite well since he has uncovered a simple logic of involution embedded in the long history of China's drastic social and economic transformations and presents a wide variety of paradoxical facts challenging Western mainstream thinking.

In what follows, I will focus on exploring the link between Huang's two major research themes, namely China's judicial history and state governance, and the history of China's agriculture and village economy. In his research, Huang has touched upon this link, such as in his discussions about the role of village structure and state power in the social and economic evolution in North China and the Yangzi delta. In recent writings, he has further investigated the role of state governance and land institutions with Chinese characteristics in regional economic development. I think it is worthwhile to go further in an effort to stimulate more research.

Two core themes revolving around Huang's studies are actually closely interlinked aspects of recent scholarship in the social sciences (such as economics, political science, and sociology): the modern transformation of the traditional peasant economy and public governance and state capacity. In the past three decades there has been a voluminous literature in multiple disciplines devoted to understanding the role of state capacity in the modernization and economic catch-up process (e.g., Mann, 1986; Migdal, 1989; Evans, 1995; Weiss and Hobson, 1995; Besley and Persson, 2011; Fukuyama, 2011). My own research also focuses on the impact of the incentives of local officials and state governance on China's economic growth. In light of this scholarship, we must ask how it is that agricultural involution under population pressure coexisted with centralized minimalism for so long in history. Is there any underlying connection between these two durable economic and institutional features? As China was dragged into a globalization process in the late nineteenth century, industrial products and consumption goods from the West flooded into China's markets in rural areas. Opening-up and integration into global markets did not bring about any substantial economic development but instead further involution in the peasant economy and a virtual failure of indigenous industrialization such as the Westernization movement 洋务运动 launched in the late Qing. By contrast, the Japanese Meiji Restoration around

the same time succeeded in promoting rapid industrialization and modernization. Why did China and Japan fare so differently in response to Western military threats? Why did agricultural involution persist into the collectivization period even though state capacity had substantially improved? Why did a historical breakthrough in economic development occur only after China entered the post-Reform era? What has fundamentally changed to create an economic miracle? All these research questions are closely related to the themes of Huang's extensive research. Comprehensively addressing them is beyond the scope of this article. However, within the limited space available, I will give an unavoidably sketchy analysis of these important questions.

Michael Mann introduced the two critical dimensions of "despotic power" and "infrastructural power" in analyzing the strength of state capacity (Mann, 1986). Applying Mann's theory, Weiss and Hobson (1995) took imperial China as a classic case of combining "strong despotic power" and "weak infrastructural power": the imperial court had centralized and absolute power but limited capacity in penetrating society and extracting fiscal resources. They regarded the weakness of China's infrastructural power as a key cause for the failures of its early industrialization efforts.

Huang's centralized minimalism appears to be a more accurate characterization of imperial China than Weiss and Hobson's approach. Weak infrastructural power sounds more like a result of imperial governance; centralized minimalism seems more to be a conscious choice: the state intended not to intervene in village affairs, but leveraged quasi-bureaucrats, kin groups, and rural communities to accomplish the state's goals, such as tax collection, social stability, famine relief, and so on. More importantly, minimalist governance at the village level was a rational response to agricultural involution under population pressure: the slim agricultural surplus produced by peasants after paying rent to landlords could not support a big and active government. This explains why the emperors in almost every dynasty of traditional China preferred a policy of "light corvée and low taxation" 轻徭薄赋. This was not simply an ideal based on Confucian values; it was a practical consideration dictated by economic realities. Therefore, involuted agriculture set a cap on the taxation burden of peasants levied by the state bureaucracy and maintained the subtle equilibrium of imperial rule. If the tax burden ranged within the cap, the prosperity of cities could be assured while poverty gripped the countryside (as explained in Huang, 1985), and if the precarious balance was lost due to a failure of coordination (e.g., natural disasters, wars, and pervasive corruption), peasants would rebel against the state and the dynasty could collapse. In this sense, centralization and minimalism in imperial China were interrelated, and what linked them was the involuted peasant economy.

The rural economy had already attained a high degree of commercialization in the Ming and Qing, and was further integrated into the world economic order after the invasion of the Western imperialist powers. But this market development did not lead to any substantial improvement in labor productivity. Instead, the result was the extension of involution into peasant household sidelines and handicrafts—"involuted commercialization"—which hindered the rise of large farms employing hired labor. The Westernization movement in Chinese cities also encountered numerous setbacks and achieved very little.

China's failure at modernization in the late nineteenth century was in stark contrast to the astonishing success of the Meiji Restoration of Japan. A simple explanation of the difference between these two countries is the limited agricultural surplus in China caused by the involution of the peasant economy. Japan had experienced significant increases in agricultural output and labor productivity decades before the Meiji Restoration (Moore, 1966). Nevertheless, agricultural surplus is not the whole story. Considering the fact that rents accounted for almost half of the grain yields, if the state could have extracted the landlords' rents for industrialization, China's traditional agriculture would have had considerable potential for supporting ambitious industrialization initiatives. It is exactly the extraction of rents by the Meiji government that supported Japan's state-led industrialization and achieved remarkable success. So the problem is not the lack of an agricultural surplus, but the state's lack of capacity to extract sizable rents from landlords. The weak state capacity continued in the Republican period when state power was extended to the village level in an attempt to extract resources, but ended up with the village agents *xiangbao* and *difang* 地方 turning themselves from quasi-bureaucrats into lucrative tax brokers, resulting in the involution of state power in the villages (Duara, 1991).

The extractive power of the state—a critical dimension of state capacity emphasized by political scientists and sociologists alike—is vital for a big push for modernization, but is not the entire story either, as illustrated by what happened in the People's Republic. The situation of weak infrastructural power has fundamentally changed since the founding of the People's Republic. State power penetrated every corner of society, and every cadre, worker, and peasant was put under the control of the party-state. Infrastructural power managed to attain a historically unprecedented level of penetration and extraction. First, the state extracted agricultural surpluses through the scissor gap between the prices of industrial and agricultural products and redistributed it to cities for industrialization and residents' consumption. The rents originally accruing to the landlords before Liberation were now transferred into capital accumulation necessary for massive industrialization. Second, agricultural collectivization

and the establishment of people's communes enabled large-scale construction of irrigation and other public facilities and extended the application of fertilizers and the cultivation of high-yield crops. All these collective efforts greatly increased labor productivity in agriculture.

However, such impressively empowered state capacity and coordinated efforts in improving agricultural productivity failed to resolve the involution trap; the absolute majority of peasants remained at a subsistence level. This disappointing situation can be attributed to a set of factors. For instance, the national push for developing capital-intensive industries seriously constrained the capacity to absorb surplus labor, and the rigid and inefficient planned economy made it even worse. As mentioned earlier, the improved health care services in villages reduced mortality rates and thus led to explosive population growth in rural areas. This exacerbated the population-land tension.

In sum, both in imperial China and the Republican period there was a concurrence of involuted commercialization and weak infrastructural power, or centralized minimalism. The first thirty years of the People's Republic saw another combination of highly penetrative state capacity, planned economy, and agricultural involution. These important facts refute the predictions of Smith and Marx about the impact of market expansion (capitalist development) on the division of labor and productivity gains (the appearance of large farms based on hired labor). They also challenge the implicit hypothesis about the decisive role of state capacity in determining economic development.

The real breakthrough in resolving the problem of agricultural involution came only after China's comprehensive market-oriented reforms, especially after village-township enterprises rose to prominence in the manufacturing sector, and after China entered the WTO. All these changes combined to attract over 200 million migrant workers out of the villages into urban industries, and to encourage peasants remaining in villages to work in high-yield sidelines. China's agriculture finally entered a historically unprecedented stage of "growth with development."

On the surface, it might seem that China's breakthrough in agriculture occurred because of market-oriented reforms and the entry into the WTO and the embracing of globalization. However, this is not true. Huang has demonstrated that the first encounter of the Chinese economy with market development and globalization was in the late nineteenth century and was followed not by development but by the persistence of involuted commercialization.

Thus the question arises: What really has driven China's miracle in solving the historical dilemma of economic development? To answer this big question, we need to search for clues by addressing the following three related sub-questions. First, what has post-1978 China inherited from its state capacity built up over the preceding 30 years? Have there been any innovations in

improving state capacity? Second, how could strong state capacity, market development, and joining globalization work together to promote China's sustained economic growth? Third, the resolution of agricultural involution rests critically on the success of industrial development. The question then is why does successful industrialization require a combination of state capacity, market development, and embracing globalization?

As for the first question, we have to realize that despite its institutional flaws and rigidity, the planned economy created a set of top-down economic planning procedures and practices that ultimately evolved into economic and social development plans and industrial policies at all levels of government in the Reform era. The repeated implementation of economic planning from the top down and state penetration into society transformed local governments at different levels into powerful and effective organizations with a focused capacity to promote economic growth, mobilize various resources, and implement policies. More critically, since the economic reforms, the party-state has shifted its core capabilities from class struggle to economic development. As a result of this strategic transformation, the evaluation of local officials has been economic performance-based, driving those officials to engage in an intense competition for regional economic growth. The strong incentives for developing local economies have greatly stimulated local governments' organizational capacity for mobilization and policy enforcement, and transformed local governments in such a way that they operate as effectively as commercial corporations in terms of achieving their economic goals. The tax-sharing reforms of the mid-1990s greatly reinforced the centralization of resource extractive capacity in the hands of the central government, which enabled it to improve national infrastructure, redistribute resources across regions in order to reduce income inequality, and rebuild nationwide systems of social security.

The second question concerns the compatibility of a strong state and a vibrant market. The mainstream economics literature only endorses a combination of limited government and market economy. A strong state is necessary for public goods provision, but also presents a potential threat to property rights and good market order since it is unable to make a credible commitment (North and Weingast, 1989; Weingast, 1995). This observation raises the puzzle of the role of a strong state in market development. In other words, from the perspective of mainstream economics, a strong state is incompatible with a well-functioning market. My theory of "dual-market competition" offers an interesting scenario where a strong local state and active market effectively work together at the regional level (Zhou Li-An, 2017, 2018). The crucial part of the story is the mutual embeddedness of political competition among local officials and market competition among firms across jurisdictions. Under dual-market

competition, a strong local government has to mobilize its organizational and extractive capacity to promote local economic development. The several waves of regional decentralization pushed by Mao Zedong during the planned economy regime also shaped a governance structure combining centralization and decentralization, which facilitated the administrative and fiscal decentralization started in the early 1980s (Qian and Xu, 1993; Bai Huitian and Zhou Li-An, 2018). More critically, the cross-regional mobility of physical and human capital has pressured local officials with discretionary power to commit to protecting property rights in their jurisdictions and offering a helping hand. Political tournaments for economic development have also motivated local officials to take various market-oriented and opening measures to improve their market competitiveness, such as restructuring and privatizing state-owned enterprises (SOEs) (as in "keep big SOEs and let go of small ones" during the mid-1990s and early 2000s), attracting FDI (foreign direct investment), and encouraging exports. As the competition, either among local officials or among firms across regions, has intensified (especially after entry into the WTO), local officials have to find more effective ways of cooperating with local firms to meet the challenges and win on the economic battlefield. China offers a good case of productive interactions between a strong local state, market development, and globalization, and China's economic success highlights the complementarity between a strong state and market competition.

The third question concerns why successful industrialization requires a combination of strong state capacity, market development, and embracing globalization. Addressing this question is critical to understanding the link between Philip Huang's two research themes. The driving force behind the resolution of China's centuries-long agricultural involution has been the vibrant development of manufacturing and its capacity to absorb surplus labor from agriculture and the villages in contemporary times. Conversely, the persistence of agricultural involution in modern Chinese history was a direct reflection of the failures in China's industrialization.

To answer the above question, let me start with mentioning two important observations regarding the vital role of manufacturing in economic development (Rodrik, 2013; McMillan, Rodrik, and Verduzco-Gallo, 2014). First, economic development is a process of structural transformation from traditional, low-productivity activities to modern, high-productivity activities. Second, historically, the most reliable route to rapid and sustained economic growth has been industrialization and manufacturing exports. A related fact is that the winners in the struggle for economic development essentially have been those countries/regions that have achieved industrial success in the waves of globalization—Western Europe in the eighteenth and nineteenth centuries; the United States and Southern Europe after World War II; and

Japan, South Korea, the Taiwan region, and mainland China in subsequent years. Conversely, the losers in the struggle for economic development have been countries/regions that experienced failed attempts to achieve sustained industrialization. The relative decline of Britain and the United States is closely related to the decline of manufacturing in these two countries (Weiss and Hobson, 1995).

Why is manufacturing so important for economic development? Unlike traditional agriculture and services, manufacturing requires a number of demanding conditions, such as infrastructure (transportation, telecommunications, and electricity), capital-intensive inputs and large-scale financing, technological adaption and innovation, geographical clustering, and an adequate supply of educated and skilled workers. Moreover, once manufacturing industry takes off, it is able to generate sizable technological spillovers and industrial linkages far greater than what agriculture and services can achieve, and it also can induce industrial and technological advances throughout the entire country/region.

These prerequisite conditions for manufacturing success pose a serious challenge to state capacity and market development in developing countries, and more importantly, constructive interactions between the state and market. The simultaneous presence of market failures and government failures threatens any developing economy. The supply of infrastructure, financial support, R&D, and education and training, which are all critical for manufacturing development, is typically hindered by market failures (e.g., asymmetric information and coordination failures), especially in the early stage of economic take-off. Thus, critical inputs from the government are called for. The unfortunate fact is that developing economies are also plagued by a lack of market-supporting institutions (e.g., weak rule of law) and a discretionary and predatory state (e.g., the grabbing hand). The prevalence of rent-seeking, corruption, and weak infrastructural power makes it difficult to overcome market failures and can create new hurdles for private enterprises. In this sense, from a historical perspective, for manufacturing development to act as the most reliable ladder to sustained growth demands above all else effective collaboration between a strong state and market facilitation, which ultimately can overcome the concurrence of market and government failures.[6] This also explains why in the past century there were only a few genuine winners in the struggle for economic growth but many losers along the way, including China, with its repeated failure to industrialize before the Reform era.

As mentioned above, manufacturing success always goes hand in hand with an export-oriented strategy. Why is this the case? Compared with traditional services with localized markets and non-tradable goods, manufactured goods are tradable, and the technologies involved have broad spillovers

and can be learned and transferred across regions and countries. On the one hand, export-oriented manufacturing development brings scarce foreign exchange in the early stage of industrialization and enjoys learning spillovers and comparative advantage. On the other hand, exposure to international markets provides critical feedback to exporting firms for improving production technologies and product quality, and also pressures politicians and bureaucrats to put export performance high on their agenda and take measures to increase the international competitiveness of domestic firms. Put another way, export-oriented industrialization triggers more intense market competition as well as political competition and enhances collaboration between politicians/bureaucrats and business entrepreneurs to overcome the potential failures of government and market that bedevil most developing countries (Zhou Li-An, 2018: 33–37).

China's growth story fits well into the successful developmental model centering on export-oriented manufacturing with a combination of strong state capacity and political incentives, market development, and globalization. Since the economic reforms in the late 1970s, China has managed to leverage state capacity formed in the planned economy regime and has focused on national economic development by launching political tournaments among local officials for regional economic development, which triggered a model of dual-market competition. Under the pressures of dual-market competition, local officials have mobilized their resources and organizational capacity to provide public goods (infrastructure, R&D subsidies, education and training) and solve coordination failures in industrial development (e.g., building industrial zones for enhancing industrial clustering) and exports promotion. Intensive market competition for capital and technologies has constrained the discretionary power of local officials and transformed them into a helping hand for local economies. China's entry into the WTO gave a big push to China's dual-market competition by integrating most Chinese regions into globalized markets and enhancing closer government-business cooperation. Taking advantage of spillovers from FDI and exporting activities, Chinese manufacturing firms have been able to learn and absorb foreign advanced technologies, improve their own technologies, and expand exports.

Looking back over China's history, China's struggle to modernize was a painful process of searching for the right combination of different components of economic development: state capacity, political incentives, market expansion, an export-oriented manufacture-centered strategy, and globalization. In the late Qing and Republican period, China's traditional agriculture-dominant economy met with imperialist invasion, Western industry and technology, and globalization. Since China had a weak state capacity due to

centralized minimalism, market expansion and globalization only led to "growth without development" in the peasant economy or involuted commercialization. Early industrialization encountered outright failures for lack of systematic support from the state and weak extractive capacity. The founding of the People's Republic fundamentally transformed and empowered state capacity thanks to the penetration of state power into the villages and the establishment of a planned economy. Even though aided by greatly strengthened state capacity, agricultural collectivization and urban industrialization combined did not change the persistence of involution, overintensification, and widespread poverty in the rural economy. Industrialization in urban areas ended up with massive waste, chaos, and inefficiency despite its reasonable growth rate and complete industrial chains. The first 30 years of economic development under the planned and virtually closed economy gave China impressive state capacity but with misplaced political incentives, as well as a preliminary industrial base and comprehensive industrial structure but with poor incentives, low efficiency, and backward technologies, which only awaited activation, stimulation, improvement, and empowerment in the Reform era. On the top of its initial institutional endowments and industrial stock, post-Reform China primarily added strong incentives both for local officials and market entrepreneurs by shaping a model of dual-market competition, and embraced globalization by pushing for the opening-up policies and entry into the WTO, and achieved impressive growth by focusing on a strategy of export-oriented industrialization.

Understanding China: Implications and New Thinking from the Dialogue

Reconsidering the scholarship on China in recent decades on the basis of Huang's extensive research and my own studies leads me to conclude that Western doctrines have played three distinctive roles in the scholarship on China. The first serves as an analytical benchmark according to which Chinese phenomena are to be compared and the unique characteristics of China are thus to be identified. The second role is a predictive benchmark that draws on Western modernization experiences and expects China to follow a similar path and to converge with the Western model. Note that this benchmark is value-neutral and does not contain any normative judgment about the desirability of China's development. The last role is a normative benchmark that upholds the desirability of the Western model, and any deviation from it is regarded as undesirable or problematic and should be corrected. The ideological notions of Western doctrines often enter into China scholarship through this normative benchmark.

Distinguishing the three roles of Western doctrines is meaningful; many scholars (including foreign researchers) tend to confuse these three different roles when they apply Western theories to China. In particular, the analytical benchmark is often used as a predictive or normative benchmark, intentionally or unintentionally. Huang's work has forcefully demonstrated how wrong it would be to apply Western theories to China's context as predictive or normative benchmarks. The scholarship on the Chinese government reviewed in the second section of this article also exhibits a common tendency to identify various "distortions" or "disorders" of the Chinese government in light of such Western standards as "limited government," "modern rational bureaucracy," and "federalism." With its resort to Western standards, current scholarship is full of unilateral critiques and "accusations" about the wrongdoing of the Chinese government without any serious exploration into the underlying operative logic of the Chinese government embedded in a complex economic, social, and historical context. Without any sound reasoning and evidence, an implicit working assumption behind much of this scholarship is that China will or ought to adopt the model set up by Western doctrines.

With that said, I fully agree with Huang that we should engage in a constructive dialogue with Western doctrines in order to create our own. There is no denying that Western theories and experiences serve as an excellent analytical benchmark to easily recognize the distinctive characteristics of China. Using this comparative analysis as a starting point, we are then able to delve into the workings of the institutions and economies of China. Huang has drawn from neoclassical economics, Marxist economics, and Chayanov's substantive analysis to analyze the three faces of the peasant economy in North China. I myself have drawn heavily on Weber's theory of modern bureaucracy to develop the concept of administrative contracting to uncover a unique feature of China's bureaucracy, namely a paradoxical combination of hierarchical authority relations and market-like contracting.

At the same time, we also need to be fully aware of the potential traps and misconceptions when we apply Western theories to China's context. Western doctrines typically paint a picture of a black-and-white world—Huang termed this a special feature of "dualistic opposition" in the Western theories, such as tradition versus modernity, family-based faming versus capitalistic large farms with hired labor, capitalism versus socialism, state and society, government and market, rational bureaucracy versus irrational patrimonialism, formalist law versus substantive law, and so on. However, China often presents itself as a gray world, mixing black and white, or paradoxical coexistence, such as centralized minimalism, the third realm, administrative contracting, and dual-market competition and close government-business cooperation. Thus the question arises as to whether China's gray world is simply transitory

and will become a black or white one or whether it will remain gray. A further disturbing question is, when we aim at altering the color of China into either black or white with reference to Western standards and find things become even messier, is this the result of a mistake in the altering strategy or is it a mistake of altering itself, or both? Regarding many administrative reforms that mimic Western best practices, we seldom ask: When we make radical reforms of this sort in the hope of arriving at the other shore, does the other shore really exist or is it simply an illusion?

Therefore, the real challenge is how to make full use of the analytical value of Western doctrines while avoiding their potential conceptual traps. Huang has offered useful advice, namely, to construct Chinese social science based on actual practices and experiences (Huang Zongzhi, 2005, 2018). Indeed, the best way to avoid the trap of Western ideologies and normative implications is to build our theoretical constructs on Chinese historical reality, modern practices, and solid evidence, and seek the interaction of theory and evidence (Huang Zongzhi, 2018). Before arriving at any policy advice, we should understand the operative logic and mechanisms of Chinese economic and social institutions.

What makes a theory about China valid and useful lies in its ability to connect China's history with its present, interpret the continuity and changes in China's economic and social structures, and uncover their similarities and differences with the West. An important aspect of understanding China is to confront and treat properly Chinese traditions and their impact on our modernization process. Both Huang's and my research reveals that China's modernization combines at least four distinctive traditions of which three came from China and one from the West: (1) the state governance tradition of imperial China in administration and justice; (2) the Communist traditions of the mass line, organizational mobilization, and party-building in the revolutionary period; (3) top-down planning and targeting management and organizational support, comprehensive societal penetration, and policy implementation; and (4) Western traditions of market, law, and state. Huang has made an excellent analysis of how these distinctive traditions have shaped the evolution of Chinese modernization in the justice system and the rural economy. In particular, the Chinese Communist Party innovatively developed its own practical approaches to revolutionary strategies and organizational culture from the military campaigns against the Guomindang armies and succeeded in avoiding the traps of formalist and doctrinaire application of Marxism (Huang Zongzhi, 2005). Some of these revolutionary traditions (e.g., the mass line and mobilization culture) were incorporated into the party-state-building of New China and permanently influenced China's state governance in the post-1949 period. The link between current

state governance and the revolutionary traditions has been understudied and is worth further exploration.

A consensus emerging from our research is the recognition that we should develop our own original and innovative concepts about China, a project that requires both international perspectives and a solid grounding in Chinese practices and evidence. What do these original, indigenous concepts look like? What will be the future directions of research on China? I'm not in a position to answer these questions in general but would like to share my guesses about future research on the political economy of China, a field with which I am more familiar.

First, new theories and concepts should go beyond various similar but somehow disconnected descriptions of Chinese administrative governance and move toward internally consistent generalizations. Existing disparate descriptions, to name a few, include the M-form hypothesis (Qian and Xu, 1993); fiscal federalism, Chinese style (Montinola, Qian, and Weingast, 1995); the centralization-decentralization paradox (Zhou Li-An, 2017); centralized minimalism (Huang Zongzhi, 2008), and the imperial governance logic combining unified rule and effective governance (Zhou Xueguang, 2011); and regionally decentralized authoritarianism (Xu, 2011). But there remains a lack of a generalizing conception of these similar observations that can account for the underlying consistent logic and working mechanisms of Chinese administrative governance. Aided with this generalized theory, various paradoxical and even contradictory phenomena laid out in the literature (e.g., fragmented authority versus consensus-building decision-making; governance by layer-by-layer mobilization versus "doing big things by concentrating all the forces") can be reconciled as costs and benefits of the same logic of governance in certain institutional environments or its different manifestations in different stages or contexts. We also expect these generalizations to be value-neutral and their diagnoses of the Chinese governance structure to be open-ended.

Second, the new generalizations should also go beyond the existing Western benchmarks to interpret the reality of Chinese modernization. Moreover, we should seek to reinterpret Western experiences in light of generalizations based on China's context if we make certain extensions. Huang has made admirable efforts to demystify the Western research paradigm and pin down the uniqueness of Chinese historical reality in terms of its own logic. A good part of these efforts consists of enabling the study of China to escape excessive entanglement with Western benchmarks, but even in the best scenario China and the West remain analytically separate and epistemologically disjointed. In the past we have been very accustomed to viewing China as a mirror image of Western experiences but never have we looked the

other way around, that is, viewing Western experiences in the mirror of China. More specifically, what help can China's modernization experiences offer to re-evaluate Western modernization history and theory? Is it possible to come up with theories that are general enough to make sense of both the West's and China's modernization experiences? This question may look somewhat abrupt at this moment since very few scholars have attempted to address it. But I would say it is possible, or at least we should make a try. There are two reasons why I propose this venture. First, China's modernization has been a part of worldwide modernization waves since the late nineteenth century and has followed a process of industrialization, urbanization, and globalization similar to that in the West. The subject of China adds to cross-country studies by offering another important case where sustained economic growth has been achieved through selecting and adapting, in a dynamic way, relevant Western technologies, industrialization, globalization, and combining them with domestic institutional change. The economic success of East Asian countries led to a rethinking of capitalist development and modernization in the West, and motivated scholars to come up with a more general theory of economic growth with an emphasis on the interaction between strong states and markets (Weiss and Hobson, 1995). China's growth story provides an even richer narrative about how state and market can combine to achieve impressive economic growth especially at the regional level. Second, Chinese scholars, many of whom have received rigorous disciplinary training in the West, have devoted much of their attention to Western mainstream theories and modernization experiences. At the same time, if they were to investigate the operative logic and unique path of China's modernization in different historical contexts, it would be possible to make a constructive comparative study that would not only go beyond simply using Western standards to understand China's experiences, but would also shed light on Western experiences from the perspective of China's experiences. Such a constructive bilateral dialogue could lead to more generalized theories that would view both Western and Chinese experiences as special cases under distinctive historical and institutional circumstances.

As an illustration of the possibility of a more general theory combining the experiences of China and the West, I would give two examples from Huang's and my research. Huang has explored the modernity of Chinese legal traditions (Huang Zongzhi, 2007: 387–413). By linking the Chinese tradition of practical moralism in mediation, court-based mediation, alternative dispute resolution in the West, and the American pragmatist legal tradition, he has attempted to develop a constructive way of combining tradition and modernity, and Eastern and Western legal concepts. My theory of dual-market competition is drawn from China's growth story over the past decades, but its

emphasis on the role of interactions between political competition and market competition in overcoming the dual failures of government and market which hindered economic development has implications beyond China's specific context. As pointed out by Weiss and Hobson (1995), the wars between European powers in the late Middle Ages triggered absolute monarchs to develop state capacity to levy taxes and provided property rights protection and contract enforcement to attract mobile international capital. Clearly, this is an extended version of a dual-market competition (political competition among monarchs and market competition among capitalist firms across countries) which drove the rise of the West.

To conclude this article, I contend that a good theory about China lies in its ability to penetrate China's history and present, link theory and evidence, go beyond left and right, and combine East and West. The divide between left and right, East and West, is an artificially imposed ideological cleavage without support from either solid theory or evidence, and thus is a misleading construct for any serious research. Academic research, especially about China since it has been overshadowed by Western standards, should stand firmly on historical reality and evidence as well as on constructive dialogue with Western doctrines, with awareness of their implicit assumptions, some of which are bundled with Western-specific experiences, and their potential conceptual traps when applied to China. As an ambitious goal, we also should seek to generalize the experiences of the East and West.

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Notes

1. If the magistrate failed to resolve conflicts and pacify the disputants though the judicial process, any rebellious reactions of the parties involved to the outcome of trials and their ramifications would ultimately translate into a potential risk to social stability and thus a threat to the emperor's power.
2. In modern times, a good example of this internalization process is the recruitment of social elites (e.g., private entrepreneurs) as members of the People's Congresses and Political Consultative Conferences.
3. Successful government-business cooperation has also been a key to the East Asian economic miracle. As argued by Hayami and Godo (2005), Japan,

South Korea, and Taiwan managed to develop a good collaborative relationship between government and big business, although the concrete forms of cooperation may have been different in different contexts. In these countries/regions, government-business relations have resembled those of semi-internal organizations where competent bureaucrats drafted long-term development plans and guided business groups and big firms through formal and informal networks to jointly achieve national economic goals. Weiss and Hobson (1995) attributed the relative slide of manufacturing industries in Britain and United States to hostile government-business relations due to the unique culture of these two countries, which led to their defeat in the battle with postwar Germany and Japan, which enjoyed a cooperative government-business culture and practices.

4. Women generally did not participate in farmwork in imperial China due to the influence of Confucian culture.
5. Huang (2010) has analyzed the "hidden agricultural revolution" in contemporary China from the viewpoint of de-overintensification.
6. There are significant differences in the nature of government-business cooperation across industries. For instance, traditional trade and services (e.g., restaurants, entertainment venues, barbershops, and house construction) rely mainly on private inputs (such as capital of limited size and labor), but not much on public inputs such as transportation, R&D, education, and training. This explains why we see such industries operate even in the poorest countries and regions. Traditional services have salient localized demand with relatively low efficiency and lack of technological change (Baumol, 1967).

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