

## China's State Development in Comparative Historical Perspective<sup>1</sup>

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The collapse of the Chinese state in the early twentieth century was surprising. China was a pioneer in state administration: it established one of the world's most centralized bureaucracies in 221 BCE, two hundred years before the Roman Empire.<sup>2</sup> In the seventh century, it produced a quarter of the world's GDP (Maddison 2007: 381) and became the first country to use a civil service examination to recruit bureaucrats. Max Weber described the Chinese examination in great detail (Weber 1951 [1915], 115), which became an essential part of his definition of a modern bureaucracy—the “Weberian” bureaucracy (Weber 1946 [1918], 241; Evans and Rauch 1999, 751).

At that time, Western Europe was experiencing large-scale dislocation, crisis, and a real break in continuity. The Roman Empire had fallen, and the Carolingian Empire had yet to form. Commerce virtually disappeared, and the ruling dynasties could barely maintain a salaried administration (Barraclough 1976: 10). In the medieval period, elites in Europe obtained their status primarily by inheriting feudal titles, and meritocratic recruitment did not emerge until the nineteenth century.

Why, then, did China suffer a dramatic reversal of fortune, given its early bureaucratic development?

Here I document, and then explain, the rise and fall of the Chinese state. I show that two standard explanations for state development—economic development and war—both fall short. I offer my own explanation, which focuses on how the civil service examination transformed the Chinese elite from an encompassing interest group to a narrow interest group. This elite transformation accounts for the initial rise, but the ultimate decline and fall, of China's state capacity.

I use a historical perspective that allows me to uncover continuities and changes that I would not have observed in a short time frame. States, like most institutions, require time to develop. The Chinese state, for example, took centuries to rise and centuries to fall. Studying a short period will risk missing the forest for the trees. As Ziblatt argues, *temporal* distance—moving out from single events and placing them within a longer time frame—can uncover previously undetectable patterns (Ziblatt 2017, 3).

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<sup>1</sup> This essay draws on the author's book manuscript on China's long-term state development.

<sup>2</sup> For China's early state building, see Hui (2005) and Zhao (2015).

The Chinese case is worth studying on its own merits. Much work on long-run political development centers on Western Europe. Yet Western Europe might be an outlier, and its political path may have been an accident (Stasavage 2016, 146). Historical China, on the other hand, might be more representative of today's developing world: an agrarian economy, prevalent violence, strong family institutions, and a weak state. Although history does not repeat itself, it often rhymes. The regularities I discover from the Chinese case enables us to draw on what is known about a historical case to shed light on contemporary cases. As I discuss in the conclusion, China's historical development produces important lessons for understanding contemporary China and the developing world more generally.

## **The Rise and Fall of the Chinese State**

Figure 1 shows China's fiscal development from 0 to 1900. The upper panel presents the evolution of major fiscal policies. I code each policy according to whether historians consider it to be state strengthening (+1), neutral (0), or state weakening (-1).<sup>3</sup> The lower panel presents per capita taxation, based on estimates from archival materials.<sup>4</sup> Both graphs demonstrate that China's fiscal capacity peaked in the eleventh century, started to decline afterwards (with transitory increases), and diminished toward the end of the period.

The comparison with Europe is striking. At its peak, China's fiscal capacity—proxied by revenue as a fraction of GDP in 1086—was more than ten times that of England (Stasavage Forthcoming). But by the start of the nineteenth century, England taxed 15–20 percent of its GDP, while China taxed only 1 percent (Guo 2019).<sup>5</sup>

Another striking comparison is ruler survival. Figure 2 presents the duration and probability of deposition for Chinese, European, and Islamic rulers.<sup>6</sup> Despite declining state capacity, Chinese rulers enjoyed longer tenures, on a par with European rulers. Both Chinese and European rulers outperformed their Islamic counterparts. In other words, as China's state capacity became weaker, its rulers stayed in power longer.

## **Standard Explanations for State Development**

Given its early development of statehood, how should we explain the rise and fall of the Chinese state? According to the literature, state institutions tend to evolve in response to either a growing economy or the need to mobilize for war. However, I explain in this section why these standard answers do not fully explain the Chinese case.

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<sup>3</sup> Data on China's major fiscal policies comes from Wang's (1981) *History of Finance in Imperial China*. I consider a policy that increased tax extraction to be state strengthening and one that decreased tax extraction to be state weakening. A policy that maintained the status quo is considered neutral. The graph shows the moving average of these policies.

<sup>4</sup> I collect data on historical taxation and population from Chinese official histories, Liang (2008), and various primary and secondary sources. A complete list of references is available upon request.

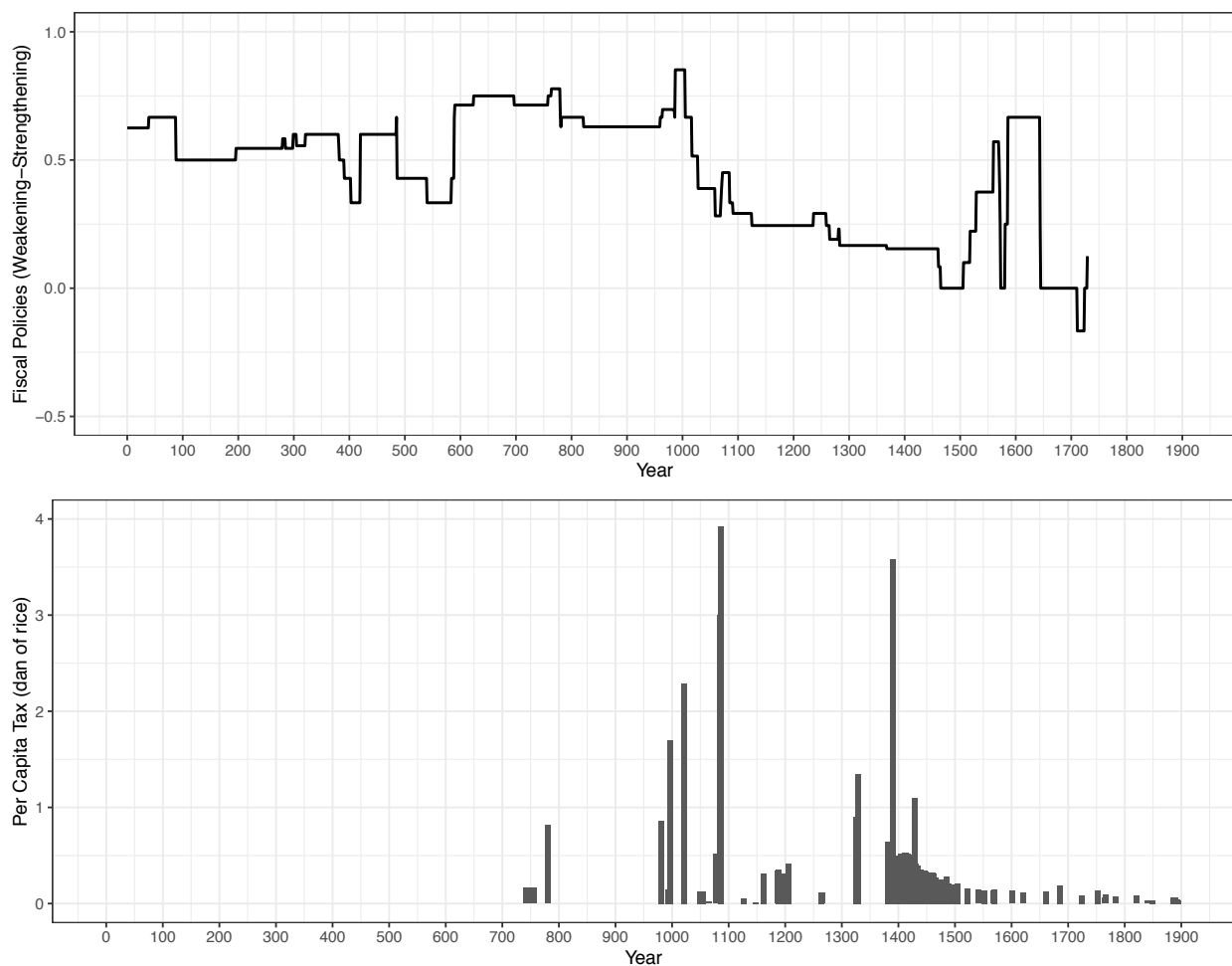
<sup>5</sup> For empirical studies of China's financial situation in the late imperial era, see Sng and Moriguchi (2014) and Ma and Rubin (2019).

<sup>6</sup> The data on European and Islamic rulers comes from Blaydes and Chaney (2013) and Kokkonen and Sundell (2014). For Chinese rulers, see Wang (2018). The lines denote moving averages.

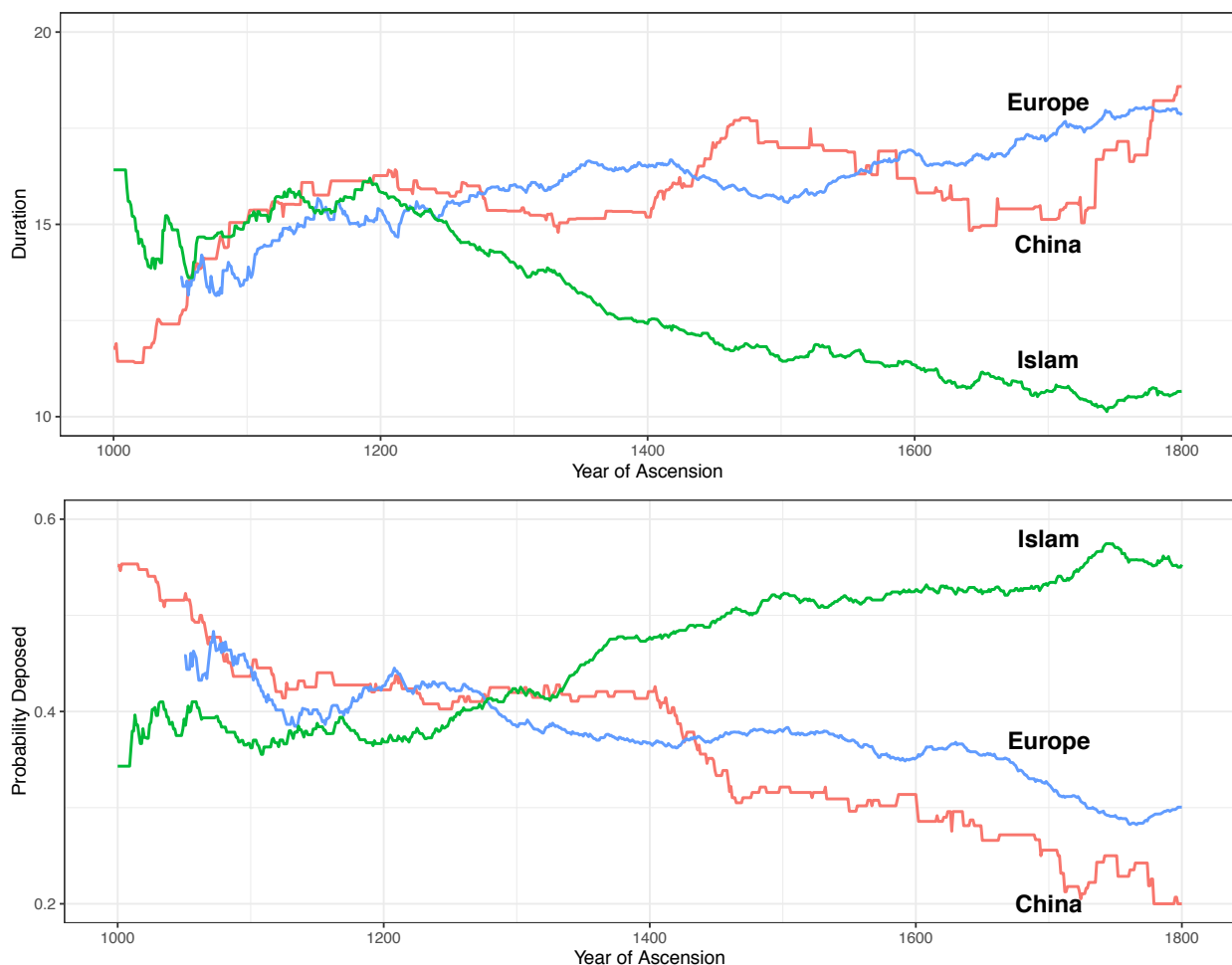
## Economic development

Modernization theory predicts that as a country's economy develops, society will put more demands on the state. State institutions will then evolve in response to these societal demands to provide public goods and services, which requires fiscal extraction and modern public finance.

Yet the historical evidence suggests that China's economic (under)development was a consequence of state (under)development, rather than the other way around. Scholars of the California School argue that China was the world leader in economics as well as science and technology until about 1500. Before the Renaissance, Europe was far behind and did not catch up to and surpass China until about 1800 (Pomeranz 2000; Wong 1997). Thus China's economic decline appears to have occurred *after* its state decline, which is consistent with the new institutional economics notion that the state needs to provide security and protect property rights in order to promote long-term economic development (North 1981; Acemoglu and Robinson 2012).



**Figure 1: China's Fiscal Policies (top) and Per Capita Taxation (bottom), 0-1900**



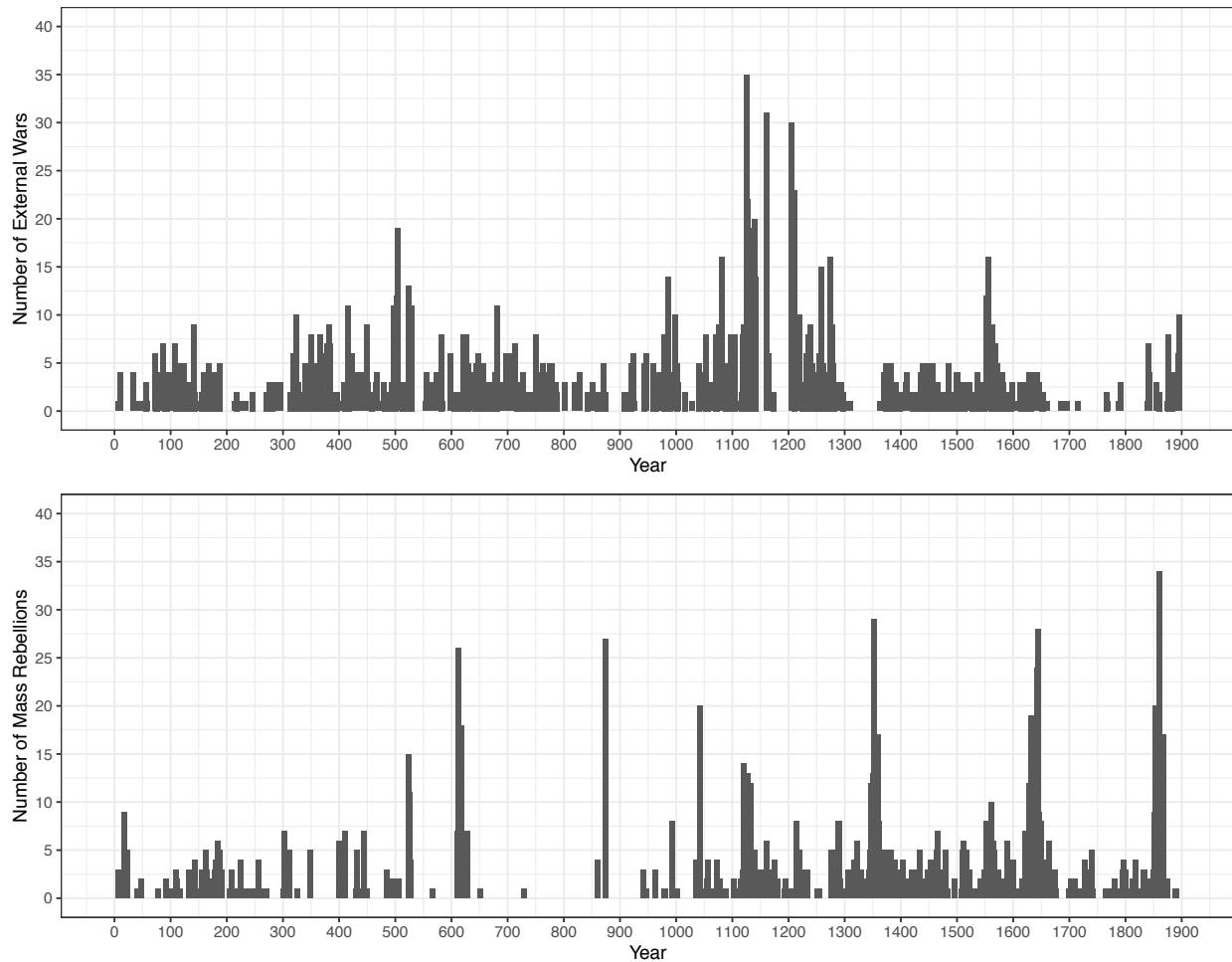
**Figure 2: Ruler Duration (top) and Deposition (bottom) in China, Europe, and the Islamic World, 1000-1800**

*War*

External war and internal conflict can both “make” the state. To prepare for external war, which became more expensive in the medieval era, European kings must extract resources from society, establish a centralized bureaucracy to manage state finances, and bring local armed groups under the control of a national army (Tilly 1975). Internal conflict may also promote state development. Mass demands for radical redistribution can induce elites to set aside their narrow interests and form a collective “protection pact”: a broad-based elite coalition that supports greater state strength to safeguard against popular revolt (Slater 2010: 5–7).

But China had fought more wars than Europe: while there were more than 850 major recorded land conflicts in Europe between the years 1000 and 1799, China experienced 1,470 land-based conflicts during this period (Dincecco and Wang 2018: 343).

In addition, if external or internal war explains state development, we should see state strengthening around or after conflicts. Figure 3 presents the number of external war battles (upper panel) and mass rebellion battles (lower panel) in China from 0 to 1900.<sup>7</sup>



**Figure 3: Number of External War Battles (top) and Mass Rebellion Battles (bottom) in China, 0–1900**

The timing of external wars challenges Tilly’s argument that such conflicts force the state to tax its citizens, establish a bureaucracy, and create a national army. The number of external war battles peaked between the twelfth and thirteenth centuries, while state-strengthening policies had started to decline by then. Similarly, mass rebellions occurred frequently and intensively from the mid-fourteenth century to the late nineteenth century, when taxation was declining continuously.

<sup>7</sup> For more information about the dataset, see Dincecco and Wang (2018).

## Elite Transformation and State Development

The turning point in China's rise and fall was in the eleventh century. At the time, China was ruled by the Northern Song Dynasty, which faced existential threats from the Khitan and Tangut nomadic tribes in the north. There was the danger that a war could break out at any moment.

In 1065, defense expenditures consumed over 80 percent of the state's income, which caused the government to register its first overall financial deficit. Aged and inexperienced Song soldiers were hired from the flotsam of the marketplace and were unfit for active combat.

Four years later, Emperor Shenzong and Wang Anshi—a politician—enacted reforms designed to strengthen the country's fiscal capacity and establish a national standing army. They conducted a national cadastral survey to obtain an accurate account of land holdings, which they used to impose taxes on the landed elite who had been hiding properties and evading taxes. The reform also sought to eliminate private armies and organize the population into a national army.<sup>8</sup>

Emperor Shenzong and Wang Anshi were state builders: when faced with external threats, they tried to “make” the state. But many politicians opposed the reform and recruited the empress to their cause. Reform opponents sent letters attacking Wang Anshi, and local officials sabotaged the reform and delayed implementation. Wang resigned in 1074 after a prolonged drought, which the critics exploited to blame the reform and persuade the superstitious emperor. The critics then undermined many reform policies. The opposition leaders completely abolished the reform after the emperor's death in 1085, with support from the dowager empress.

Charles Tilly might be wondering: Facing severe external threats, why do elites oppose state building? Traditional, structural factors cannot explain individual-level differences among elites. I offer a new framework.

*To buy, or to make: that is the question*

My framework starts with the presumption that elites need protection. Such protection involves a bundle of services, including defense against external and internal violence, insurance against weather shocks, justice in dispute resolution, and social policies that protect people from risks.

Elites can obtain protection in two ways. They can “buy” public protection from the state by paying taxes. They can also “make” private protection by relying on social organizations, such as kinship groups.<sup>9</sup>

Public protection exhibits economies of scale and scope, so the marginal cost of protecting an additional unit is small. If elites need to protect a large area, it is cheaper to “buy” public protection.

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<sup>8</sup> For details about the reform, see Wang (2019).

<sup>9</sup> Firms must similarly decide whether to make a component in house or buy it from the market. See Coase (1937: 390) and Williamson (1981: 556).

Private protection has a unit cost, and each unit pays the same price for its own protection because of the rival and excludable nature of private protection. For example, if protecting one unit (e.g., 100 square kilometers) requires one garrison with one unit of labor and capital, then the cost of protecting two units will double to two units of labor and capital (constant return to scale). If elites only need to protect a relatively small area, then private protection is more efficient, because the marginal costs of funding a private army to protect a small area are relatively low compared to the taxes paid to support a national army. “Making” their own protection also gives elites some autonomy from the state.

This simple logic suggests that elites’ level of support for state building depends on the geographic span of their social networks. If they must protect a geographically dispersed network, it is more efficient to support state-strengthening policies. These elites have an encompassing interest (Olson 1982: 48). If they need to protect a geographically concentrated network, it is more efficient to rely on private protection and oppose state strengthening. These elites have a narrow interest (Olson 1982: 48).

#### *From encompassing interest to narrow interest*

Applying the framework to the Chinese case, we can now understand why the state started to decline in the eleventh century.

A hereditary aristocracy ruled China during the medieval period from the seventh to the ninth centuries. The aristocracy consisted of a group of large clans whose genealogies were included in the official clan list approved by the imperial state. The emperors recruited bureaucrats almost exclusively from this list, and men from these clans could inherit their fathers’ positions. Although these clans were located across the country, their core male members formed a national elite coalition by intermarrying their children. During the Tang Dynasty (618–904), this national elite was based in the capital cities and became a self-perpetuating institution (Tackett 2014: 25).

Thus before the eleventh century, a network of national elites ruled China. Since their kinship networks were spread out across the country, they were motivated to build a strong central state so they could protect their kin. These elites constituted an encompassing interest group.

The Huang Chao Rebellion (874–884) captured the capitals and killed most members of the aristocracy (Tackett 2014: 187–234). Local elite gentry families, which traditionally held many lower bureaucratic offices, filled the power vacuum left by the demise of the aristocracy.

After the aristocracy was decimated, the Song emperors introduced the civil service examination as an alternate way to identify bureaucratic talent. During this time, members of the local gentry had to recommend prospective candidates to the local magistrate before they were even eligible to sit the initial exam (Hartwell 1982: 419). The expanded civil service examination system therefore reinforced the gentry’s strategy to contract marriage alliances with wealthy local neighbors, exchanging prestige and political opportunity for economic advantage. The civil service examination then brought many locally embedded elites into the central government. These elites became “local advocates” who, in order to influence the government’s actions,

intervened directly and openly with central officials as a native, with a native's interest in (and knowledge of) local affairs (Hymes 1986: 127–128).

Locally embedded elites who served in the central government no longer supported a strong central state. They were better off protecting their kin using private organizations. They started to form kinship organizations, uniting their kin members around common ancestors and compiling genealogy books to manage kin membership (Faure 2007: 68). They intervened in national affairs to benefit their hometowns (Beattie 1979: 72). Their relatives became local strongmen who organized defense, repaired dikes, and funded schools (Zheng 2008: 183–194). In the late imperial period, these elites became a narrow interest group.

As the elites' social networks became localized, they also fragmented; they found it difficult to organize cross regionally. A fragmented elite contributed to a despotic monarchy because it was easier for the ruler to divide and conquer. Historians have noted the shift to imperial despotism during the Song era, as the emperor's position vis-à-vis his chief advisors was strengthened (Hartwell 1982: 404–405). The trend further deepened when in the late fourteenth century the founding emperor of the Ming Dynasty abolished the entire upper echelon of his central government and concentrated power securely in his own hands (Hucker 1998: 74–75). This explains the increasing security of Chinese rulers.

The despotic monarchy and the narrow interest elite became a self-enforcing equilibrium: the rulers were secure, while the elite used the state to protect their local interests and enjoyed their autonomy. Yet this arrangement led to the gradual decline of the Chinese state.

### **Lessons for Today**

China's historical experience suggests two important lessons for understanding contemporary China and the developing world more generally. First, it helps us understand how the Chinese Communist Party built a modern state. The key to the party's success in the mid-twentieth century was that it eliminated or neutralized local elites through a *social* revolution. The party achieved this mainly through land reforms in which local landed elites were deprived of their land—and sometimes their lives. Meanwhile, a prolonged and hard-fought revolution helped forge a close-knit network of party elites from all over the country. This national team conquered the country and imposed on it a centralized elite structure.

Second, many developing nations face a challenge in state building as China did historically: traditional authorities and powerful local families subvert state power. Many of the policy interventions carried out by the international community, such as the World Bank and the International Monetary Fund, focus on strengthening the bureaucracy. But as the Chinese experience demonstrates, state weakness is a *social* problem that cannot be resolved with a bureaucratic solution. When Chinese emperors began using a civil service examination to recruit bureaucrats, the Chinese elites became more fragmented and opposed to state building. This experience shows that building a strong state requires social changes, which are generally missing from today's international programs.

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