

# OLD CHINA

## MA ON IMPERIAL STATE & LEGAL SYSTEM

### CONTRAST TO EUROPE

EURO STATES, IN COMPETITION, MUST BUILD  
"FISCAL, FINANCIAL, ADMINISTRATIVE CAPACITY."

I.E. ALLOW/ENCOURAGE ECONOMIC DEVELOPMENT  
& TAX IT TO PAY FOR ARMY.

SOME COUNTRIES (E.G. BRITAIN, EVENTUALLY FRANCE)  
DEVELOP INSTNS THAT EMPOWER BUSINESS ELITES,

CREATE INDEPENDENT LEGAL ESTABLISHMENT  
(JUDGES, LAW SCHOOLS, LEGAL PROFESSION)

THAT ALLOWS STATE TO MAKE CREDIBLE  
COMMITMENTS, OVERCOME DYNAMIC INCONSISTENCY

— STATE DEBT REPAYMENT

— SAFE PROPERTY RIGHTS

A'LA NORTH & WEINGAST

OLD CHINA

MA ON IMPERIAL STATE

GOAL OF CHINESE STATE

NO EXTERNAL THREAT, COMPETITION  
GOAL IS PREVENT DEVELOPMENT OF  
INTERNAL RIVAL, STAY IN POWER  
LONG TIME HORIZON,

FORESTALL:

- LOWER-CLASS REVOLT
- ELITE GROUP GAINING POWER SOURCE/ORGANIZATION

GOAL IS NOT

- REVENUE EXTRACTION
- MILITARY POWER

OLD CHINA

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DESIGN OF CHINESE STATE

NO HEREDITARY NOBILITY

ALL ADMINISTRATION BY CENTRALLY CONTROLLED BUREAUCRACY.

OFFICIALS ROTATED THROUGH REGIONAL OFFICES WITH SHORT TENURE IN EACH JOB, SO CAN'T DEVELOP REGIONAL POWER

ALL TAXATION & REVENUE ALLOCATION CONTROLLED FROM CENTER

LOCALS, ELITES, BUSINESS GROUPS HAVE NO ROLE IN DECISIONS, OVERSIGHT

TO PREVENT CORRUPTION/DISOBEDIENCE WITHIN BUREAUCRACY, MULTIPLE CENTRAL AUDITING OFFICES

OLD CHINA

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DESIGN (CONT.)

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"LAWS" ARE IMPERIAL REGULATIONS,  
ADMINISTERED BY BUREAUCRACY  
(NO INDEPENDENT JUDGES, LAWYERS,  
LAW SCHOOLS, CONCEPT OF "RULE OF LAW")

LOW TAXES, FEW PUBLIC SERVICES

RESPECT LOCAL PROPERTY RIGHTS, CUSTOMS,  
GUILDS, GRIEF GROUPS

AS LONG AS THEY DO NOT GO FOR POLITICAL  
POWER.

ON ISSUES UNRELATED TO POLITICAL POWER  
SUCH AS BUSINESS LAW, JUST ARRANGE  
COMPROMISES BETWEEN LOCAL GROUPS  
TO KEEP PEACE,

OTHERWISE STAY OUT.

OLD CHINA

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WHAT'S BAD ABOUT IT?

SYSTEM VERY INEFFICIENT

LOSE LOTS OF REVENUE TO CORRUPTION

LITTLE CAPACITY TO DO ANYTHING

CAN'T PROVIDE RIGHT PUBLIC GOODS AT LOW COST.

BUSINESS GROUPS CAN'T TURN CUSTOMS INTO LAW,  
USE FORMAL CONTRACT ENFORCEMENT  
TO COOPERATE ACROSS GROUP LINES.

GOVT. CAN'T BORROW AT LOW RATES

LESS SECURE, PREDICTABLE PROPERTY RIGHTS  
THAN IN EUROPE.