

## **The beginning of economic reforms in rural China**

**Book review: Oi J. C. (2023). *Rural China Takes off. Institutional Foundations of Economic Reform*, Saint Petersburg: Academic Studies Press/Bibliorossika.**

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The book by Jean Chun Oi was published in the late 1990s<sup>1</sup> but translated into Russian only in 2023. Today China's economic success is obvious — in many spheres of the real economy China is the undisputed world leader, replacing the UK and the US as the global workshop. In the 1990s, the success of China was also discussed, but it was not as stunning as today. Therefore, the book is interesting, first, for its analysis of the Chinese economic success at its very start. Second, there was no economic or political confrontation between China and the United States at that time. On the contrary, the countries cooperated, including in the educational sphere: sinology in the United States was practically the second Sovietology, and the number of publications about China increased every year; Chinese students were studying at American universities. Thus, the reader may expect the book to be less politicized than many social sciences today.

Let us start with a few words about the author. Despite her Chinese origin, Jean Chun Oi is an American educated in the United States and teaches at the Stanford University<sup>2</sup>. This is a typical situation for American Sinology that researchers are of Chinese origin. Another example is the famous sociologist Victor Nee, whose works Oi refers to and with whom she argues in this book. Oi graduated from the Indiana University in 1971 and received her PhD in Political Science in the University of Michigan in 1983. She worked in many universities before finally choosing the Stanford University in 1997. Oi holds two positions at Stanford: Head of the Stanford Center at the Peking University, which certain-

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1. Oi J. C. (1999). *Rural China Takes off. Institutional Foundations of Economic Reform*, Berkeley: University of California Press.

2. Personal page: <https://profiles.stanford.edu/jean-oi>.

ly ensures an easier access to her research field; Fellow at the Freeman Spogli Institute for International Studies known for hosting a number of former US political figures. Thus, the Head of this institute is the former US Ambassador to Russia Michael McFaul, and among its employees are the former US Secretary of State Condoleezza Rice and the famous and controversial political scientist Francis Fukuyama.

Oi is famous in academic circles. In 2019, she was included in the list of the 40 most cited political scientists-women at American universities<sup>3</sup>. Oi got interested in rural China as a student and published her first book *State and Peasant in Contemporary China*<sup>4</sup> in 1989, which is based on her PhD thesis defended at the University of Michigan. *Rural China Takes Off* is her second book.

As a political scientist, Oi certainly did not write a book in the spirit of the neoclassical economic mainstream, but it is also far from the classical political economy as describing how political structure affects economic development. However, the influence of the contemporary economic theory on the book is obvious since political science borrows its ideas (for instance, the political scientist Elinor Ostrom received the Nobel Memorial Prize in Economic Sciences; and the concepts of principals and agents used in the book are directly borrowed from institutional economics). Certainly, the book was also strongly influenced by the Stanford academic tradition and its eminent reviewers (like Barrington Moore). Therefore, it would not be an exaggeration to say that the book is a product of the American tradition in political science, economic theory, and Chinese studies.

The book focuses on how the state determines economic development, and it was written in the time when the role of the state in the economy was revised in sociology. In 1985, a book by Peter Evans, Dietrich Rueschemeyer and Theda Skocpol was published under the eloquent title *Bringing the State Back in*<sup>5</sup>. In 1994, Fred Block declared a 'new paradigm' in the analysis of the role of the state in the economy<sup>6</sup>. In 1995, Peter Evans published *Embedded Autonomy*<sup>7</sup> and Victor Nee — his works on China<sup>8</sup>. In the year of the publication of Oi's book,

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3. Kim H. J., Grofman B. (2019) The political science 400: With citation counts by cohort, gender, and subfield. *Political Science & Politics*, vol. 52, no 2, pp. 296–311.
  4. Oi J. C. (1989) *State and Peasant in Contemporary China: The Political Economy of Village Government*, University of California Press.
  5. Evans P., Rueschemeyer D., Skocpol T. (1985) *Bringing the State Back in*, Cambridge: Cambridge University Press.
  6. Block F. (1994). The role of the state in the economy, *Handbook of Economic Sociology* (N. Smelser, R. Swedberg Eds.), Princeton: Princeton University Press.
  7. Evans P. (1995) *Embedded Autonomy: States and Industrial Transformation*, Princeton: Princeton University Press.
  8. See, e.g.: Nee V., Su S. (1990) Institutional change and economic growth in China: The view from the village. *Journal of Asian Studies*, vol. 49,

Peter Evans and James Rauch publish an article on the extent to which the ‘weberianization’ of the state affects economic growth on the example of developing (i.e., non-Western) countries (for some reasons, China was not included in the sample of these countries, only Taiwan and Hong Kong)<sup>9</sup>. Much later Nee published the *Capitalism from Below*<sup>10</sup> to emphasize the non-state roots of the Chinese economic growth. In general, Oi argues with the ideas of Evans and Nee.

The common basis of the above-mentioned turn to the state was, first, the rejection of the concept of the state non-interference in the economy as unrealistic and dogmatic; second, the questioning of the unconditional direct positive connection between democracy and market growth; third, the analysis of states’ specific actions in the economy and of the quality of the state apparatus. Thus, researchers focused on the specific characteristics of states rather than on general features of liberalism and democracy. This theoretical turn allowed to explain the economic growth of socialist China, which, according to the traditional views, was simply impossible, and Oi’s reasoning is a part of this turn.

She argues that the Chinese experience prove that economic development is quite possible in the ‘Leninist economic system’. Unlike former countries of the socialist bloc, including Russia, China rejected shock market reforms and mass privatization — its private sector emerged much later, when the economic growth became evident. However, this was no longer Mao’s China due to small, gradual changes at both economic and political levels. At the same time, China’s economic growth was determined not by the rejection of the Maoist economic system but by the changes based on the Maoist foundation. Oi believes that local party officials rather than the central authorities played the key role in the industrialization of China’s rural areas as they began to perform entrepreneurial functions and became the main agents of economic development. However, this was not some revolution from below, a rebellion of local authorities or a weakening of the central power of the Chinese Communist Party — local authorities were granted freedom of action and given incentives for proactive local policies, thus, becoming interested in the results of economic reforms. Oi calls such a system (the local party apparatus is the main driver of economic growth) a ‘local state corporat-

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no 1, pp. 3–25; Nee V. (1992) Organizational dynamics of market transition: Hybrid forms, property rights, and mixed economy in China. *Administrative Science Quarterly*, vol. 37, no 1, pp. 1–28.

9. Evans P., Rauch J. (1999) Bureaucracy and growth: A cross-national analysis of the effects of ‘Weberian’ state structures on economic growth. *American Sociological Review*, vol. 64, no 5, pp. 748–765.
10. Nee V., Opper S. (2012) *Capitalism from Below: Markets and Institutional Change in China*, Harvard University Press.

ism' and declares it the main factor of the large-scale industrialization of rural China.

The key concept of the book is 'corporatism' which has a rather ambiguous interpretation: sometimes it is compared to solidarity or even fascism; in economic terms, it is often associated with an intermediate form of social organization between free market and state socialism. Oi defines corporatism as a way of the Chinese local party officials' actions. This is not corporatism of the central government, which binds society with unity of interests from 'top to bottom', these are separate groups of local officials who act as a single corporation, a board of directors in the economy of their territories. Under the public property regime, such corporatism was implemented directly, and after the emergence of the private sector it began to take more flexible forms in order not to allow private owners to form a class with their own political interests.

The private owner's interest in the development of his enterprise is obvious — his income depends on its economic results. This was the basis of privatization in European post-socialist countries. China created other incentives for local officials to act as entrepreneurs by changing the fiscal system: revenues to local budgets depended directly on economic development, i.e., on the results of industrialization of rural areas, as local authorities were given the right to distribute residual income, while the central government constantly increased this residual income by decreasing contributions to the central budget. Moreover, bonus payments to local officials depended on this system's efficiency. All these measures became an alternative to corruption, which generally worked. Certainly, corruption was not eradicated, it is an inevitable evil in any society, but in China it did not become an obstacle to economic growth.

The author considers the relationship between central and local authorities as a principal-agent connection. By providing local authorities (agents) with greater autonomy, central authorities (principal) automatically reduced control, thus, becoming dependent on agents as ensuring local economic development at their own discretion. The author even mentions that local officials created "the appearance of subordination", which does not mean that the central government lost control. Oi rejects as hasty the assertions that economic reforms would inevitably lead to political changes due to the competing political parties, new interest groups, civil society, etc., since the local-state corporatism is a protection against such changes. In 2023, we can say with a fair degree of confidence that the central power in China has not been weakened by the rapid economic growth.

In conclusion, it should be mentioned that the book is based on two types of sources: statistical data and media publications, and informal interviews conducted from 1986 to 1996 (333 interviews in 10 provinces). Most interviews were conducted with local officials, heads of municipal enterprises and private entrepreneurs.

## **Начало экономических реформ в сельском Китае**

187

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**Рецензия на книгу: Ой Ч. Ж. (2023). Экономический взлет сельских районов Китая. Институциональные основы экономической реформы, СПб.: Academic Studies Press/Библиороссика.**

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