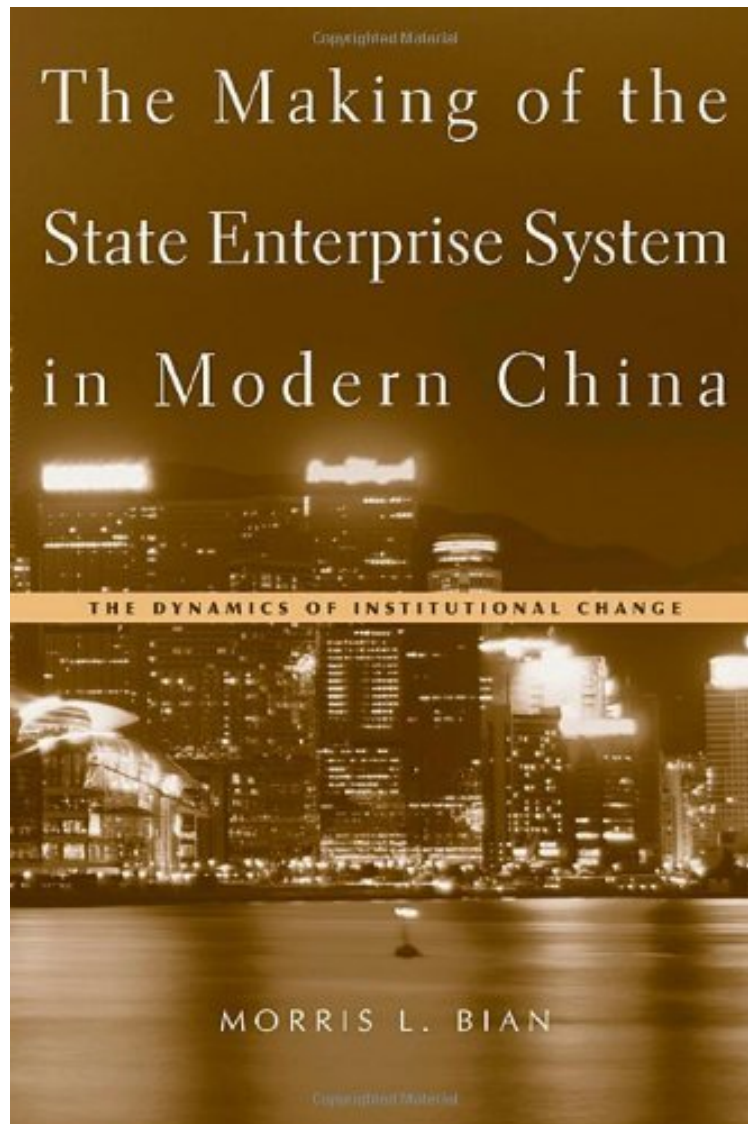


(Mobile pdf) The Making of the State Enterprise System in Modern China

The Making of the State Enterprise System in Modern China

Morris L. BIAN

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Morris L. BIAN : The Making of the State Enterprise System in Modern China before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Making of the State Enterprise System in Modern China:

0 of 1 people found the following review helpful. A Framework for Institutional Change By S. Seyer In The Making of the State Enterprise System in Modern China, Morris Bian provides a compelling theory of institutional change through an historical case study of the development of state-owned ordnance and heavy industry during the Sino-Japanese War (1937-1945). As a result, a duality exists within the book. It presents both a specific, clearly defined, and well-argued historical monograph that questions the existing literature on the subject of the development of the

state-owned enterprise system while also offering a broadly applicable framework that serves to address fundamental issues of institutional change within the field of world history. Bian begins by clearly defining his key terms within the introduction, a strategy that is unfortunately not yet pervasive. He defines institutions broadly as "not only humanly devised systems and principles that define and structure human action and interaction but also...organizational establishments that embody these system and principles." To understand the origins of the state-owned enterprise system one must first breakdown its component parts, and Bian presents the system's key characteristics as "a bureaucratic governance structure, distinctive management and incentive mechanisms, and the provision of social services and welfare." Bian places his work firmly within the existing scholarship and is, in part, responding to a perceived gap in the literature. He argues that scholars have been content with attributing the origins of the state-owned enterprise system to the adoption of the Soviet model by the Chinese Communist government, the result being "a general lack of interest in exploring the indigenous roots of China's economic system in the period before 1949." That the state-owned enterprise, the danwei system, and their ideological justification all existed before 1949 is the central historical theme of the work. Bian argues that "institutional and ideological evolution, not revolution, explains the basic structure of state-owned enterprise and its ideology in post-1949 China." In order to explain this change, Bian adopts an interdisciplinary approach. He turns to economic historian Douglass C. North for an understanding of incremental institutional change and to Thomas S. Kuhn for his theory of radical change. Institutions are the result of mental models, a framework used within psychology to explain individual action. Through communication between individuals a shared mental model is developed, which then becomes an ideology and explains collective action. Bian argues that "institutional change results directly from the formation or revision of shared mental models or ideologies." Institutional change is gradual, or "normal", when mental models are not strongly challenged and institutional revision is sufficient to handle problems that arise whereas radical institutional change occurs during times of crisis when existing institutions fail and new mental models, and therefore new institutions, must be created to deal with the drastically changing environment. The nature of institutional change, however, is limited by resource endowments of which institutional endowments are considered a secondary, generated type; a society's freedom of action is defined and restrained by the means available to it. Institutional change, therefore, is path-dependent "because of the constraints of limited institutional endowments." How, then, was China able to overcome crisis outside the scope of these constraints? When new resources must be created "to overcome the constraints of institutional endowments" exposed by crisis the resulting radical change in mental models and corresponding institutional change is considered path-independent. The main examples within the narrative of path-independence are the adoption of cost accounting, the Work Emulation Campaign, the provision of social services and welfare by enterprise, and the development of Nationalist ideology (with an emphasis on national defense). The first two were borrowed from the United States and Soviet Union, respectively, while the last two where the result of an endogenous response to external crisis. Bian sees a high level of continuity between the Qing dynasty and the Nationalist government which is indicative of gradual institutional change; it is only with the sustained crisis of the Sino-Japanese War that the four previously discussed radical institutional changes occurred, resulting in the state-owned enterprise system as recognized today. These developments were then perpetuated by the Communist regime, denoting a return to incremental change and hence an evolutionary interpretation of twentieth-century Chinese economic history as advocated by Bian. Having established his broad framework for institutional change, Bian then proceeds to utilize a vast amount of archival sources to illustrate the defining role of the Sino-Japanese War in the path-dependent and path-independent development of economic institutions. The continuity between the Qing dynasty and the Nationalist government is clearly visible in his discussion of the ordnance industry, and, though triggered by crisis, their gradual move inland along with their steady centralization is a prime example of developmental, path-dependent change. Path-dependent change is also shown within state-owned heavy industry, with the Nationalist planning system finding its theoretical support within the ideology of Sun Yatsen and its culmination in the National Resource Commission. Though the institutional endowment of the bureaucratic model carried on as the basic blueprint in both ordnance enterprises and heavy industry, the Confucian scholar-officials were replaced with the new zhiyuan composed of management, factory officials, and technicians which were ranked the same way and treated as if government officials. The author equates the reason for the continuation of the pervasive bureaucratic system with China's limited institutional endowments. "Despite the 1911 Revolution and the alterations in terminology, the fundamentally bureaucratic nature of China's state machinery remained unchanged." Though some path-independent solutions were developed, Bian sees a clear developmental progression connecting the Qing, Nationalists, and Communists governments. The most interesting part of the book to this reader is the chapter devoted to the development of Nationalist ideology. This ideology emphasized "state-owned enterprise, heavy industry, national defense, and the creation of a planned socialist economic system." Bian shows that the development of this ideology was both path-dependent, due to its foundation in Sun Yatsen's Three Doctrines of the People, and path-independent, due to the elevation of national defense over the people's livelihood in response to the externally generated crisis in which China found itself. The important dynamic displayed here is that Nationalists leaders and scholars agreed on all four points; their shared mental model became the ideology of the Nationalist government. Bian has provided not only a well-researched study of the development of the state-

owned enterprise in China, but also provided a framework for institutional change that is "both path-dependent and path-independent because new resources must be created to overcome the constraints of institutional endowments." He has succeeded in not only moving forward the discussion of China's economic development in the twentieth-century, but also in developing a solid framework for understanding the dynamics of institutional change. 0 of 1 people found the following review helpful. More than just a history of Chinese development

By G Spivey
In *The Making of the State Enterprise System in Modern China*, Morris Bian engages much of the literature on this subject, directly or indirectly, while bringing new perspectives and studies to the table. By utilizing path-dependence in his theoretical framework, his argument finds continuity with many other studies on nation-state construction, such as Hui, Mokyr, Landes, and Ertman. Bian's emphasis on the Sino-Japanese War as the catalyst driving institutional change in China during the 20th century draws many comparisons to other scholars, especially Ertman, who find "geo-political competition" as important for explaining broad, sweeping societal changes. However, this is not the author's greatest contribution with this work. He also fills the void that few have even attempted to accomplish, by providing a theoretical framework to explain institutional change that can be lifted from its Chinese context in this work and applied broadly to all studies historical change over time. He draws much of his inspiration for the framework from the work of New Institutional Economics. Bian's work bridges the gap between studies which have been characterized by path-dependent arguments and those which occupy a different theoretical foundation by naming this other perspective "path-independence," and providing strong evidence for both "paths." The strength of Bian's arguments may be ascribed to heavy reliance on primary sources while utilizing creativity to further his idea of "path-independence." Finally, within the field of modern Chinese history, Bian sides with those who find continuity between the Nationalist Chinese and Communist Chinese systems. He also finds the origins of the Danwei system within the Sino-Japanese War. Bian begins his work with an introduction, presenting and explaining the theoretical framework that forms the foundation of his book. This framework is used throughout the book to explain the formation of the State enterprise system within China during the Sino-Japanese War. Bian first defines his terms. Institutions in Bian's work refer to both humanly devised systems and principles or "rules of the game." (7) There should be no distinction made between the two in defining them as institutions. Bian also uses the idea of mental models, "a representation that corresponds to a set of situations and that has a structure and content that captures what is common to these situations," to bridge the gap between crises and institutional change. Bian states that, "alteration of human conditions is the fundamental cause for institutional change." (8) There are two forms of alteration: normal and drastic. Normal alterations are "ordinary changes that changes that typically show a regular and predictable pattern." They "modify existing mental models" and "partially reorder institutional environments." Normal alterations are characterized by "gradual or incremental" changes and path-dependency. (9) Drastic alterations are "extraordinary changes that typically show no regular or predictable pattern." They "transform or replace" mental models, and "completely reorder institutional environments." They consist of "radical or revolutionary" change and are characterized by path-independence because they are able to break free from the limits of institutional endowments. (9-10) From this theoretical framework of both normal and drastic institutional change, Bian applies it to the experiences of China during the Sino-Japanese War, stating that the, "Ruling elite transformed and created new mental models. These new mental models led to the creation of the new state enterprise system, characterized by a bureaucratic governance structure, distinctive management and incentive mechanisms, and the provision of social services and welfare." (14) The succeeding chapters describe how this state formation took place. In chapter one, Bian chronicles the construction of the state ordnance system. It developed in two phases, the first from 1860 to 1895 and the second from 1895 to 1925. Both phases were formed during crisis. Before the fall of the Qing dynasty in 1911, they had already established, "a new institutional framework for centralizing military organizations," of which the ordnance system was a part. (25) When the Japanese fully invaded in 1937, this drove ordnance factories inland as they further expanded and centralized. Chapter two focuses on Chinese heavy industry during this period. Once again there was a move to state-ownership of these enterprises. Bian states, "The changes that occurred in heavy industries were path dependent as crisis strengthened the existing model of state ownership and management." (45) Analyzing other aspects of both the ordnance system and heavy industry becomes an important aspect of the other chapters. Chapter three chronicles the changes within Chinese bureaucracy. Bureaucracy within China is defined as "an administrative structure characterized by a hierarchy of positions filled with appointed officials, with graded ranks and corresponding emoluments, whose lines of authority and responsibility are defined by administrative codes or written rules." (76) The institutional endowments of China's long bureaucratic history helped define the changes to the Nationalist's bureaucracy in both the ordnance system and heavy industry. Chapter four introduces a path independent aspect of institutional change within China. "Officials and managers of state-owned enterprises introduced new management and incentive mechanisms, including a new accounting system, a work emulation campaign, and a system of delegating responsibility according to administrative levels." (101) Because these reforms were adopted from programs outside of China, specifically through Western style education, they are characterized by path independence. Chapter five analyzes the third aspect of China's modern state formation: provision of social services and welfare. The reforms made were a direct attempt to address the problem of inflation. Bian states that, "The strongest evidence of the causal relationship between rising inflation, mental model revision, and

the establishment of social service and welfare institutions comes from the comprehensive program the Bureau of Ordnance adopted in June 1939." (141) Chapter six identifies how the Chinese danwei system also developed out of the crisis of the Sino-Japanese War. The origins come from theories of public administration in the U.S., so it is also characterized by path independence. Chapter eight shows how the Nationalist ideology was both path dependent and path independent. "It was path dependent because the Nationalist ideology of the developmental state represented an extension of Sun Yatsen's Three Doctrines of the People. It was path-independent in part because this ideology transcended the Three Doctrines of the People with the ideology's focus on national defense as a critical new element." (180) The strength of Bian's work is surely the creation of a theoretical framework to explain institutional change. Because the theory is meant to be applied to historical instances of change across the globe, not just in China, the terms and definitions used are necessarily broad and expansive. Institutions include both humanly devised systems and principles or "rules of the game." One may ask, where is culture in this theory? But if one defines culture as a humanly devised system, it is also included in the definition of institution and therefore also a product of institutional change. In this way, many of the debates between authors, such as Frank versus Landes or Pomeranz versus Huang, are rendered unnecessary because this theory encompasses all factors that influence institutional change, culture, ideology, technology, and endowments. The introduction of path-independence as a theme further links those path-dependent arguments with other previously undefined (but obviously path-independent) theses. Because the framework's lynchpin is the existence of these mental models which shape institutional change, the burden of proof for demonstrating their existence lies squarely on Bian's shoulders. His use of primary source documents to demonstrate the shaping of these people's mental models, as well as their communication with each other to create ideologies, is a perfect demonstration of the strong basis in reality this abstract theory holds. It will be important for future scholars to take the theory and transpose it upon other historical movements to truly test its usefulness. 0 of 0 people found the following review helpful. Bian's work pays off By Banner Dr. Morris Bian knocks his book out of the park with never before seen research crucial to unlocking secrets of the Chinese work unit -- something that is still prevalent today. Anyone looking to explore the Chinese State Enterprise system could not find better source material than Bian's book.

When, how, and why did the state enterprise system of modern China take shape? The conventional argument is that China borrowed its economic system and development strategy wholesale from the Soviet Union in the 1950s. In an important new interpretation, Bian shows instead that the basic institutional arrangement of state-owned enterprise--bureaucratic governance, management and incentive mechanisms, and the provision of social services and welfare--developed in China during the war years 1937-1945.

Bian has produced a text that challenges orthodox conceptions of the nature of the transition from the Nationalist to the Communist regime (as well as transitions, more generally). Bian's insights into the continuities that link Imperial, Republican, and Communist China are provocative and provide an important catalyst for future research and analysis. (Satyananda J. Gabriel China International) Morris L. Bian's book offers a rich description and critical analysis of the formation of the Chinese state enterprise system. It should be welcomed by the academic world as a valuable addition to the currently existing literature, not only because it probes into a less studied area, but also because it provides insightful interpretation to a unique socioeconomic system that has profoundly remolded contemporary Chinese political, economic, and social urban life. (Patrick Fuliang Shan Chinese Historical) The strength of this well-researched book lies in the explanation of how the impact of the Sino-Japanese War and earlier military conflicts within China affected economic outcomes in China... [It] is aimed at business scholars and advanced students interested in China. Historians of Chinese studies will enjoy the book as well. This groundbreaking book is highly recommended. (Joseph W. Leonard Journal of Asian Business) A major study of wartime China's economic system. Bian presents an interesting view of the emergence of the danwei (work unit) system in contemporary China that sees its origins not simply in a model borrowed from the Soviet Union after 1949, but one with roots in China's republican era, particularly the wartime period. He is particularly effective in tracing ideas of the developmental state back to Sun Yatsen. Well researched and tightly organized, this is an important work in our understanding of developments in twentieth-century China. (Parks M. Coble, University of Nebraska) Bian is one of the leaders of a generation of young scholars who have placed the history of Chinese business enterprise--private and now public--at the heart of historical discussion in the field. (William C. Kirby, Harvard University) About the Author Morris L. Bian is Associate Professor of History at Auburn University.