

当代经济学系列丛书

Contemporary Economics Series

主编 陈昕



大转型

互联的关系型合约理论
与中国奇迹

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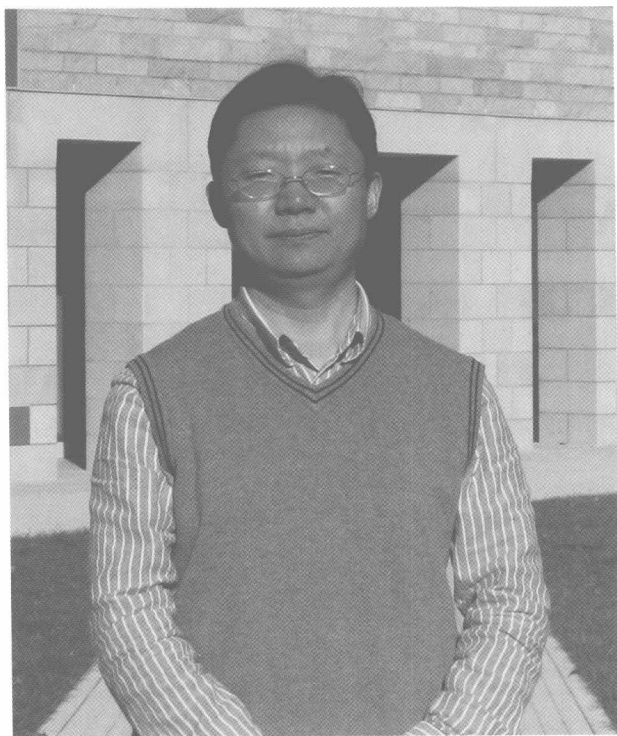
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出版前言

为了全面地、系统地反映当代经济学的全貌及其进程,总结与挖掘当代经济学已有的和潜在的成果,展示当代经济学新的发展方向,我们决定出版“当代经济学系列丛书”。

“当代经济学系列丛书”是大型的、高层次的、综合性的经济学术理论丛书。它包括三个子系列:(1)当代经济学文库;(2)当代经济学译库;(3)当代经济学教学参考书系。该丛书在学科领域方面,不仅着眼于各传统经济学科的新成果,更注重经济前沿学科、边缘学科和综合学科的新成就;在选题的采择上,广泛联系海内外学者,努力开掘学术功力深厚、思想新颖独到、作品水平拔尖的“高、新、尖”著作。“文库”力求达到中国经济学界当前的最高水平;“译库”翻译当代经济学的名人名著;“教学参考书系”则主要出版国外著名高等院校的通用教材。

本丛书致力于推动中国经济学的现代化和国际标准化,力图在一个不太长的时期内,

从研究范围、研究内容、研究方法、分析技术等
方面逐步完成中国经济学从传统向现代的转
轨。我们渴望经济学家们支持我们的追求，向
这套丛书提供高质量的标准经济学著作，进而
为提高中国经济学的水平，使之立足于世界经
济学之林而共同努力。

我们和经济学家一起瞻望着中国经济学
的未来。

ABSTRACT

The Great Transformation: Interlinked Relational Contract and the Chinese Miracle

Motivations and Questions

The last three decades has witnessed China's history-making economic growth, with an average annual growth rate of over 9 percent, despite a general lacking of sound legal system, financial system and other formal institutions. From an international perspective, China's transition so far is undoubtedly a huge success when compared either with other transition economies like Russia, or with any other developing economy. It is an intriguing challenge for social scientists to offer some theory to account for the economic miracle and to predict its future.

China's current growth record is reminiscent

of those of the East Asia developmental states after world war II, which had comparable growth records. Japan and later four industrialized economies, Korea, Taiwan, Singapore and Hong Kong have comparable annual growth rate for almost 3 decades. Now these economies are all high-income developed economies. During their catch-up period, most of these economies share the following features. (1) Authoritarian governments played substantial role in economic development through various policy instruments, like industrial policy. (2) The role of legal system was not that pervasive as in western world, while relational contracting played an important role in socioeconomic life. (3) The economic structure was centralized and there were a few big firms and banks as major players in economic arena. There is long term relationship between banks and firms and banks are dominant financing source for large corporations. (4) Economic success at preliminary stages, once dubbed as Asia's miracle, was followed by economic crisis in many economies at the end of 1990s. Japan, for instance, began to fall into long term stagnation even in the early 1990s. (5) From the perspective of political transformation, the free

market system was accompanied by political democratization process in these economies. What's behind East Asian miracle? Is there similarity between East Asian miracle and Chinese miracle?

Conventional wisdoms suggest protection of private property, sound legal system, government transparency and efficient financial system for economic development. Interestingly there were weak formal institutions in place during China's transition. Table 1 shows the rule of law

Table 1 The Rule of Law Index

Country/Region	2004	2002	2000	1998	1996
Singapore	95.7	92.3	98.9	99.5	99.4
Hong Kong	90.3	84.7	90.4	90.8	90.4
Japan	89.9	88.3	90.9	90.3	88.0
Hungary	78.7	77.6	78.6	76.2	75.3
South Korea	68.6	76.5	73.8	76.8	81.9
Malaysia	64.7	67.9	71.1	76.8	82.5
Turkey	54.6	53.1	59.9	65.9	58.4
Thailand	51.7	60.2	69.0	69.2	71.1
India	50.7	55.6	62.0	67.0	56.6
Romania	48.3	52.0	51.9	49.7	44.0
Brazil	46.9	45.9	53.5	56.8	46.4
Mexico	45.9	47.4	46.0	40.0	54.2
China	40.6	48.5	48.7	52.4	37.3
Peru	31.9	36.7	38.5	37.3	40.4
Russia	29.5	21.4	18.7	22.7	19.9
Ukraine	23.2	21.4	26.2	23.2	28.3

Note: From 0 to 100, the higher the score, the better the rule of law.

Source: Kaufmann, Kraay and Mastruzzi(2005).

index is rather low for China. In historical retrospect authoritarian governments played a pivotal role in economic development at the early stages of economic takeoff in East Asia. In the past 30 years international organizations like world Bank and IMF have made futile attempts to introduce a set of standard formal institutions (the so-called “Washington Consensus”) in developing world. A general question thus arises: what is the relationship between institutions and economic development?

This book presents a theoretical framework to accounts for the dynamic relationship between economic development and institutions. The basic idea is as follows. Efficient institution is a function of the extent of market and the division of labor. In the stage with limited market extent and low level of specialization (incomplete market) the contracting between agents often takes the form of interlinked relational contract, which internalizes externalities. From the perspective of relationship between state and economic development, a government with high level autonomy^① and state capacity is more likely to foster

① Autonomy means government is immune to influence of interest groups and adopts economic policies that maximize social welfare.

economic development through interlinked relational policies, to address to missing markets problem. In this sense, the form and extent of economic organization and government intervention is a function of economic development stages. At stages with large extent of market and relatively complete markets, formal institutions enforced by third party will play more important roles.

Contributions and Conclusions

The extent of market and division of labor endogenously determines the efficient forms of contract. The key to understanding the relationship between formal institutions and informal institutions is to know how economic development endogenously changes the form of contract. A Theory of interlinked relational contract is introduced for understanding to understand the relation between economic development and endogenous institutions. The theory shows that in a developing economy with limited extent of market and division of labor (missing markets) transactions between agents tend to be multiplex and in-

terlinked. A typical case is share tenancy in agriculture. In a developing economy landlord and tenant make transactions not only on the product market (tenants may buy agricultural produce from landlords), but also interact on labor market (landlords employ tenants), credit market (landlords provide loan to tenants), and insurance market (through sharecropping). Thus an unprofitable contract on a separate market may be viable in the interlinked transaction. That is, the interlinking markets expand the feasible set of viable relational contracts. While in an economy with more complete markets, economic transactions occur on different specialized markets among anonymous traders. Further the interlinked and relational contract may endogenously determine the structures of economic organization and forms of property rights.

Economic development and institutional change. Economic development often unravels the interlinked relational contract through specialization effect and market thickness effects. With larger extent of market and division of labor, transactions through interlinked relational contract can now be undertaken on specialized markets. Moreover, frequency and volume of transactions

made on specialized markets will be higher, i. e. markets are getting “thicker”, reducing search cost for trading partners and unraveling relational transactions. Through the two effects personal transactions are gradually giving way to impersonal transactions.

Both relation-based governance and rule-based governance can be self-sustaining. Economic development does not necessarily leads to transformation from relation-based governance into rule-based governance. The reason is that both relation-based society and rule-based society are self-sustaining. If interlinked relational transactions between agents are sufficient to suppress impersonal specialized markets and formal institutions, we may expect a relation-based society. Only when specialization effect and market thickness effect are powerful enough to unravel the viability of interlinked relational transaction, transformation from relation-based governance into rule-based governance will occur. In particular, economic History has suggested that successful transformation usually involved both economic and political liberalization.

The role of government is a function of the stages of economic development. Government can

play an important role at early stages of economic development. At the stage of limited market extent and missing markets, interlinked institutional arrangements (e. g. , industrial policies) between government and entrepreneurs (or/and other social groups) can work as transitional substitutes for markets.

From the perspective of transaction cost, self-enforcing relational contract is an economizing device since it involves no set-up cost for formal institutions. Thus, for early stages of economic development, this relational contract is an "appropriate institution". However, with further economic development and completing of markets, the diseconomy of the relational contract will emerge, while then formal institutions can enjoy economy of scale.

From the perspective of production technology, at early stage of economic development, the prevailing technology is far from the world technology possibility frontier. So it is sufficient to use available mature technology. The key to economic growth is then how to mobilize and organize resources effectively. Stable relational contract is especially helpful for this investment-based growth stage. In contrast, later at innova-

tion-based growth stage where the prevailing technology is on the world frontier, rule-based governance (formal institution) is more conducive to endogenous technological progress since it has more scale economy.

The role of the rule of law is also a function of economic development stage. At early stage of economic development, effective governance often takes the form of self-sustaining interlinked relational contract and the role of rule of law is limited due to the following reason. With interlinked relational contract, when making decisions agents are forward-looking taking account of future periods. In contrast, legal judgment is often backward-looking. Moreover, since the transactions are interlinked, legal judgment always cannot take into account the complex contractual interlinkage. Given all this, agents may choose not to go to court. Only when markets are sufficiently complete with economic development will the rule of law play more significant role.

Timing and sequence for economic liberalization. At early stage of economic development centralized economic system and barriers to entry are conducive to long-term investments. But when it comes to the innovation-based growth

stage, monopolized market structures restricts free entry and undermine technological innovation and future economic development. Thus economic liberalization should involve the transforming a centralized structure to a decentralized one. Due to interlinking of markets sequencing of economic liberalizations matters for successful transition.

Timing for democratization and rule of law.

Interlinked relational contract is an appropriate institution for early stage of economic development. At certain point in the process of economic development democratization and rule of law is needed to lay the institutional foundation for the transformation from a relation-based society into a rule-based society. Democratization and rule of law is usually accompanied with economic liberalization. In addition, history tells us that equality in initial endowments is essential to solid democratization and rule of law.

The watershed between traditional society and modern society.

In traditional society people interact on the basis of interlinked relational contract due to missing markets and limited market extent. The traditional society is characteristic of multiplex relationship and simple economic