Bureaupreneurs in China: we did it our way
A comparative study of the explanation of the economic successes of town–village-enterprises in China

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Abstract
This article explores the different and sometimes conflicting explanations of the success of the collective enterprises (town–village-enterprise) in China during the first phase of transition (1979–1995). It is argued that explanations, relying on cultural variables are not sustainable and this for two reasons. First, the importance of the collective enterprise is shrinking while the private sector is clearly on the rise. Second, other factors, referring to characteristics of the local and central political, administrative and economic environment, in which the Chinese enterprise has to (had to?) operate, provide for a sufficient explanation of the peculiar structure of the Chinese collective enterprises. These enterprises are seen as the result of ‘bureau-preneurship’ because local bureaucrats were integrated in their management in order to pre-empt predatory behaviour and to facilitate the relationships with the central institutions. The article contributes to the property rights’ theory of the firm as it analyses an empirically very important case in which firms with unclear property rights and structures, apparently not conducive for incentives, might still be the most efficient option.

Keywords
China · Economics of Transition · Property rights’ theory of the firm · Collective enterprises · Bureacracy · Privatization
‘The greatest achievement (in China) that was totally out of our expectation is that TVE’s have developed.’

Deng Xiao Ping (Economic Daily, June 13, 1993)

Claiming that law and economics and institutional economics emerged as one of the most successful research agendas of the last third of the twentieth century is certainly no lack of modesty. The repeatedly announced obituaries of these approaches express probably more the wishes of their authors than a reality within the scientific community. Both approaches remain well and alive and are spreading throughout a globalizing academic world. Success evokes of course envy, closer scrutiny and ensuing criticism. One of the most known strands of criticism regards the pretended lack of transcultural explanatory capacity. The argument is well known: law and economics and institutional economics rely on concepts, developed within and tainted by western intellectual history and depart from behavioural assumptions, typical for western utilitarian, materialist and non-cooperative beings. Although this type of criticism created some mental comfort for devoted enemies of the economic approach, it did not endanger too much the approach in its scope. Who cares that law and economics and institutional economics are biased by western culture, when this culture conquers the whole world and when anthropological and cultural rivals are reduced to small pockets, not yet contaminated by western-driven globalisation? The nearly completely westernized world as the explanatory playground for law and economics and institutional economics and the woods of New-Guinea as the playground for alternative anthropological research: not a bad deal, we would say.

The collective enterprises of China, also called town–village enterprises (TVE) seem to disturb the intellectual comfort of the always widening cultural scope of law and economics and institutional economics. A TVE (town–village-enterprise) is an enterprise nominally owned by all the inhabitants of a township (about 3500 households) or of a village (about 200 households) and governed by the local government of the town or the village (TVG: town–village government).

TVE’s are (or were) certainly not a fringe phenomenon, but a booming reality within one of the fastest growing and mightiest economies in the world of today. Their reality seemed to be in conflict with the basic tenets of the property theory of law and economics. No surprise that quite soon some authors hailed TVE’s as a contemporary and dynamic phenomenon that escaped the culturally biased explanatory capacity of law and economics. Should the TVE-phenomenon be seen as the empirical torpedo, causing the transcultural pretences of law and economics to sink? This is the intellectual challenge of this article. We will try to argue that, although the success of TVE’s is undeniable, it does not make a deep intellectual wound into the law and economics body. At most some scars as the TVE-success shows that the typical business environment of China pushes the transition process into the path dependent reform-phase of TVE’s, based on ‘bureau-prerentship’.

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1 For a well written overview of these criticisms, see Anita Bernstein, ‘Whatever Happened to Law and Economics?’ 2005.