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Ultra-low Tax Regime in Imperial China, 1368-1911

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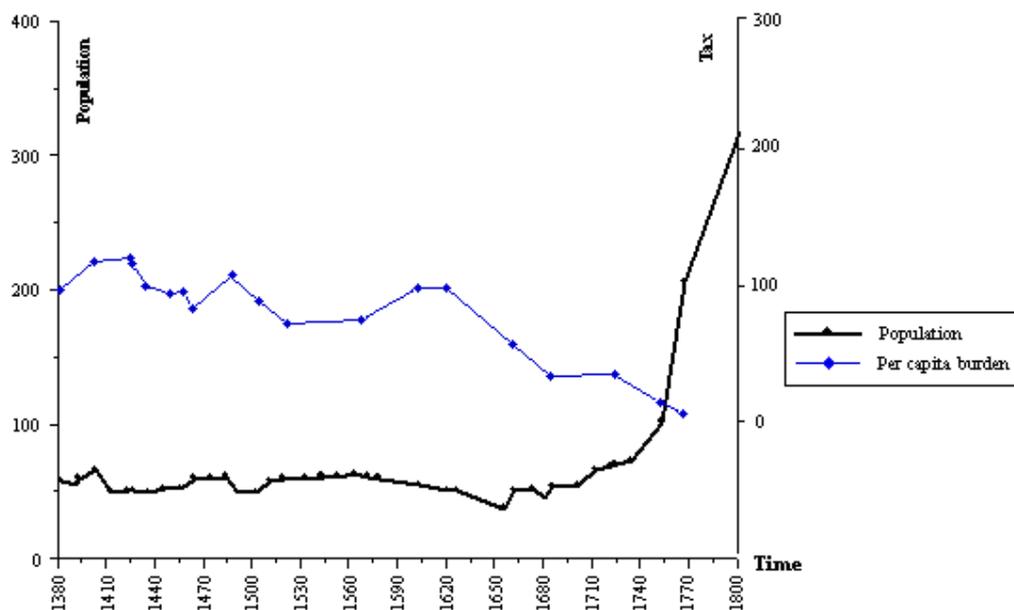
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1. An Overview

This paper reveals what can be called an ‘ultra-low regime’ in China in 1368-1911, over half a millennium, known as the Ming-Qing Period of China’s Imperial history. Despite China’s grandeur façade, the empire’s public finance was minimalistic. During this period, in absolute terms, China’s per capita tax burden was halved, unique in East Asia to say the least (see Figure 1). It begs the question of whether state rent-seeking always has the tendency to become insatiable, as what Mancur Olson asserts.¹

Figure 1. Ming-Qing Burden, Direct Taxes, 1380-1800



Sources: Liang, *Dynastic Data*, p. 428; Deng, ‘True Population Statistics’, Appendix 2.

¹ Olson, ‘Dictatorship’, pp. 567-76.

What is puzzling though is that the decline took place when China’s farmland and population both grew (Table 1).

Table 1. Supply of Farmland, 1644 vs 1812

	Total territory(km ²)	Farmland (km ²)*
Ming (1644 AD)	5,964,000	467,598
Qing (1812 AD)	11,604,000	607,984
Change %	195	130

Sources: Liang, *Dynastic Data*, pp. 346, 380; cf. Myers and Wang, ‘Economic Developments’, p. 571.

Note: * Conversion of *mu* to km² with the ratio of 1,500:1.

One wonders how and why China’s tax burden should have been allowed to decline. Rationally, the state could have maintained the same low *tax rate*, not offending the tax-paying population, and still received more revenue *pari passu* with an enlarging economy, rather than reduced *tax rate* to make citizens happier. Odd.

2. Making of an Ultra-low Tax Regime

As far as one can tell, two factors can be attributed to China’s low tax burden. Firstly, there was a ‘passive mode’ with which the government by default did not carry out or update any empire-wide survey of farmland upon which the main direct tax – the land tax – was levied. The well-documented and frequently-cited scheme of ‘Fish-scale Land Tax Registration’ (*yulin ce*) covered merely less than half of the Qing territory, but the Qing taxation was still based on the Ming registration,² although the cadastral information was hopelessly outdated. Moreover, during the early Ming Period, both farmland and population declined: In 1393, the Ming government laid taxes on a total of 850.7 million *mu* of farmland;³ by 1426, it was halved to 412.5 million *mu*; meanwhile China’s tax-paying population also decreased by 15 percent.⁴ It may not be in the government best interest to follow up such changes closely to hurt its budget. So, information outdated worked both ways.

Secondly, there was an ‘active mode’ with which the state made a conscious decision not to increase taxes. The best example was the 1712 Imperial creed of ‘permanent freezing the total tax revenue’ (*yongbu jiafu*) by Emperor Kangxi (r. 1661-1722). The 1712 revenue ceiling was set at the

² Paddies look like fish scales in a bird-eye map, hence the name; see Zhang, *Ming Dynasty*, ch. ‘Shihuo Zhi’.

³ 15 *mu* ≈ 1 acre.

⁴ Liang, *Dynastic Data*, p. 8.

level of 30 million silver *taels* per year (1,125 metric tons).⁵ This policy was relevant to Land-Poll Tax (*diding yin*), and was carefully observed over a century until 1850 by which time China's total farmland and population increased significantly.

There was some leeway whereby more tax could be levied after 1712 in the name of the 'Silver Wear and Tear Surcharge' (*haoxian*) which was 12 percent of the Land-Poll.⁶ This marginal increase made the Qing direct tax 33.7 million silver *taels* in total (1,263.8 tons). So, the 1712 capping was still valid. With the capped revenue, the tax-burden on farmland and on population declined by 14 percent and 1522 percent, respectively (Table 2).

Table 2. Changes in China's Farmland and Population, 1711 vs 1833

	Farmland (km ²)*	Population (x 10 ⁶)
1711	462,023	24.6
1833	527,683	399.0
Change %	114	1622

Source: Liang, *Dynastic Data*, p. 8.

Note: * Conversion of *mu* to km² with the ratio of 1,500:1.

In per capita terms, the tax burden of 33.7 million silver *taels* was about 0.08 *taels* (3 grams) per head per year (as of the 1880s). According to Sidney Gamble, the average daily wage for unskilled labourers in Beijing during the 1850s was 0.05-0.08 silver *taels* in the sluggish season and 0.09-0.15 silver *taels* in the busy season.⁷ Thus, the annual Land-Poll burden per head was about 1-2 days' wage earned by an unskilled urban worker.

In addition, to pay bureaucrats and soldiers stationed in North China as their salaries in kind, annually four million *shi* (about 290,000 metric tons) of 'Stipend Rice' (*caomi, caoliang*) was mandatorily collected from eight provinces (Shandong, Henan, Anhui, Hubei, Hunan, Jiangsu, Zhejiang and Jiangxi) along the Grand Cannel.⁸ This amount, which served also as a direct tax, accounted for 1.3 kg of rice per head in the provinces in question,⁹ or about 5 grams of grain (about 0.00001 silver *tael*) per capita a year for the whole empire. This burden is too light to be counted. Hence, the tax burden of 1-2 days' wage for an unskilled worker stays.

⁵ Zhao, *Qing Dynasty*, vol. 11, p. 9261.

⁶ See Liang, *Dynastic Data*, p. 419; Wang, *Late Taxation*, p. 70.

⁷ For the wage data see Gamble, 'Daily Wages', p. 62. For the money exchange rate, see Yu, *History of Prices*, p. 860.

⁸ He, 'Canal Shipping', p. 1087; also see Liang, *Dynastic Data*, pp. 366-73; Chao, *Man and Land*, p. 209. Another figure is 5 million *shi* per year; see Zhou, *Financial History*, pp. 419-21, 426; Wang, *Late Taxation*, p. 70. One *shi* = 72.49 kilograms, according to Liang, *Dynastic Data*, p. 545.

⁹ For the population of the eight provinces, see Liang, *Dynastic Data*, pp. 262-5.

However, there is a caveat: Stipend Rice was levied through tax-farming. The rice payment was conventionally commissioned to village leaders called the ‘gentry’. The deal was that as long as the legally required four million *shi* was delivered to the Beijing Depot, no question was asked. The village gentry, who acquired local knowledge, administrative skills and ability to communicate with government officials, fulfilled the tax-farming task.¹⁰ By definition the amount collected under tax-farming was open-ended. In the end, at least an extra 10 million *shi* of rice (about 725,000 metric tons) was actually collected.¹¹ The extra never reached Beijing. Rather, it was retained by the local gentry as income.¹²

The gentry was the main beneficiary of the tax-farming.¹³ It was a game of double dipping. This is how it worked: On the one hand, inside the village, rice dues were disproportionately born by ordinary villagers;¹⁴ influential households tried their best to avoid their shares.¹⁵ On the other hand, the local gentry blackmailed officials for more service fees. Their tricks included blocking rice shipments and making false accusations against officials.¹⁶ Outnumbered, government officials became powerless. Other than calling the local gentry ‘cunning’, ‘evil’, ‘crafty’, and ‘wicked’,¹⁷ very little could be done.¹⁸ Make no mistake here: The local gentry that handled the Stipend Rice collection was not a branch of the Imperial government.

The personal gain for the gentry was mouth-watering: According to a report to the throne filed in the 1830s, village gents profited on average 100 silver *taels* a year each.¹⁹ This sum was an equivalent to the annual pay of a government minister in Beijing. In some extreme cases, local gents who did not handle a single grain received several thousand silver *taels*.²⁰

Now, even if one counts the extra 10 million *shi* of rice towards government taxation, which would make the total rice extraction a total of 14 million *shi*, the total burden was about 25 grams of grain (worth about 0.00005 silver *taels*) per head per year. Thanks to the low value of the staple food rice, the extra rent sought by the local gentry increased the direct tax burden, but marginally.

¹⁰ Chang, *Income*, ch. 2.

¹¹ He and Wei, *Qing Administration*, p. 1089.

¹² Li and Jiang, *Stipend Rice*, p. 457.

¹³ For the number of ships, see Zai, *Stipend Rice*, vol. 17, pp. 28-30; see also Xu, *Antidotes*, Book 4, vol. 19, p. 13.

¹⁴ Cited in Zhou, *State Finance*, p. 138; see also Kuhn, *Chinese State*, pp. 80-100.

¹⁵ Le, *Emperor Xuanzong*, vol. 435, pp. 9-10.

¹⁶ Cited in Zhou, *State Finance*, pp. 134-5.

¹⁷ Tao, *Collected Works*, vol. 1, p. 81; Le, *Emperor Xuanzong*, vol. 435, pp. 9-10.

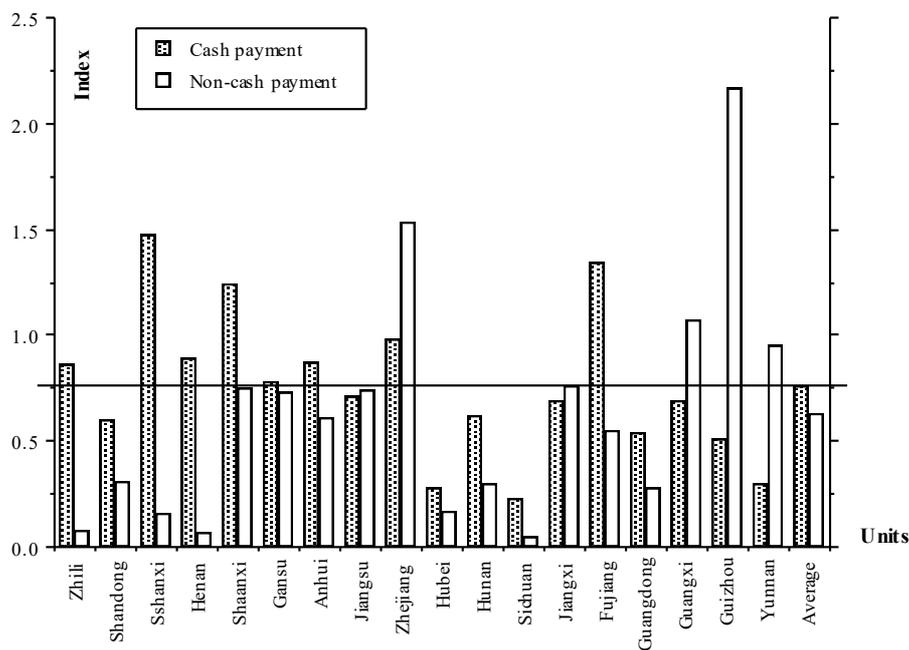
¹⁸ Esherick and Rankin, *Local Elites*.

¹⁹ Tao, *Collected Works*, vol. 1, p. 68. Note: Jiangnan Province included present-day Anhui and Jiangsu.

²⁰ Xu, *Antidotes*, Book 4, vol. 19, p. 8.

Meanwhile, geographically, the burden direct taxes in terms of both the Land-Poll and Stipend Rice was not evenly distributed (Figure 2), which implied local bargaining power. Wealthy inland provinces along the Yangzi River – Sichuan, Hunan and Hubei – paid disproportionately less taxes than their counterparts elsewhere. However, if the absolute tax burden was light, tax inequality did not matter much.

Figure 2. Distribution of Tax Burdens, 1685-1893



Source: Liang, *Dynastic Data*, pp. 380-417.

Note: The bar represents the provincial average tax burden.

What may surprise the observer also is a high degree of cash payment from North China (Zhili, Sshanxi, Henan, Shaanxi, and Anhui) ahead of coastal Zhejiang and Fujian. This supports the Skinnerian view that there was no ‘back water’ for the market economy across the empire.²¹

Another type was the indirect tax, voluntary on the part of consumer and hence less tyrannical and less burdensome. Until 1850, Salt Tax claimed a lion’s share of all indirect taxes.²² Given the low income and low price elasticities of salt, consumers had a great willingness to pay the tax. The available data indicate that in the 1840s, a total of 10 million *taels* (375 tons) were collected annually

²¹ Skinner, ‘Marketing and Social Structure’.

²² Zhao, *Qing Dynasty*, vol. 11, pp. 9269-83.

from salt levies (*yanke*).²³ Meanwhile, most marketed goods traded in local markets were tax-free.²⁴ Salt Tax was thus a rare exception.

As China had a population of about 400 million (1833),²⁵ the Qing annual indirect taxes represented by Salt Tax were merely 0.025 *taels* per head per year. Again, if one uses the aforementioned Beijing wage benchmark, the annual burden was 0.2-0.5 days' pay.

Finally, there was the much publicised 'One-Percent Transit Surcharge' (*likin, lijin*) which began very late as an *ad hoc* and one-off source of government revenue. The trigger for it to be introduced was China's empire-wide social unrest in the 1850s: The Taipings, Nians, Muslims and Miaos. The only regions free from the rioters were Tibet, Mongolia and Manchuria, regions that were *not* ruled directly by Beijing.²⁶ This time the Qing state faced the real possibility to be toppled. In 1853, out of desperation, officials fighting the Taipings imposed this new tax to cover contingency military expenses in the Yangzhou region (Jiangsu) only as a temporary measure.²⁷ The tax rate was set at one percent of goods' value in transit. Simple, easy, and light, this new tax bore the hall mark of the Imperial tradition, at least when it started.

In 1855, all governors were permitted to impose Transit Surcharge to pay for the war.²⁸ Consequently, 'Transit Surcharge check points' (*lika*) mushroomed across the empire, which was confirmed by Augustus Frederick Lindley, the notorious London-born sympathiser of the Taipings, as 'within 30 miles there are no less than 15 *lijin* checkpoints.'²⁹ As far as one can tell, by 1864, there were 123 such check points in five provinces – Anhui, Jiangsu, Hubei, Hunan and Jiangxi.³⁰ By 1862, all provinces apart from remote Yunnan, Heilongjiang and offshore Taiwan had been subject to this levy.³¹

Revenue-wise, it has been estimated that between 1853 and 1864, the total Transit Surcharge revenue was in the region of 100 million silver *taels*,³² averaging 9 million per year, or 0.02 *taels* per

²³ Zhou, *State Finance*, pp. 419-26.

²⁴ Skinner, 'Marketing and Social Structure'; Skinner, *City*, p. 24. For trade routes, see Fairbank and Liu, *History of China*, vol. 11, pt 2, p. 42.

²⁵ Deng, 'True Population Statistics', Appendix 2.

²⁶ Deng, *Premodern Chinese Economy*, ch. 4.

²⁷ Zhao, *Qing Dynasty*, vol. 12, p. 10178; see also Beal, *Likin*.

²⁸ Luo, *Transit Surcharge*, vol. 1, pp. 20, 308.

²⁹ Lindley, *Ti-Ping*, vol. 1, pp. 43-4; vol. 2, p. 296.

³⁰ Zhao, *Qing Dynasty*, vol. 11, p. 9281.

³¹ Zhou, *State Finance*, p. 168.

³² Luo, *Transit Surcharge*, vol. 1, p. 38.

head per year. Once again, with the aforementioned Beijing wage benchmark, the annual burden of Transit Surcharge counted for 0.2-0.5 days' pay.

We now have a fairly clear idea about China's aggregate tax burden per head: half-week's wage for an unskilled worker (Table 3).³³ It justifies the assessment that the Qing state controlled 1-5 percent of China's total GDP.³⁴

Table 3. Tax Burden per Capita per Year, circa 1860

Type	High season days' pay	Low season days' pay
Land-Poll	1.0	2.0
Salt Tax	0.2	0.5
Transit Surcharge	0.2	0.5
Total	1.4	3.0

Source: The benchmark: Gamble, 'Daily Wages', p. 62.

3. General Determinants for China's Ultra-low Tax Regime

It is vital to know that China's ultra-low tax regime did not begin with the Ming-Qing state. Rather, it was inherited by the latter. Then, one wonders how China's ultra-low tax regime was made possible in the long run in an allegedly highly centralised political system prone to power abuse and rent-seeking, *à la* the Eurocentric mentality of, say, Friedrich Hayek and Mancur Olson.³⁵

Prime facie, there were *hitherto* two overarching and long-lasting traditions (1) Confucian political ideology known as *ren* or 'benevolent rule' interlocked with (2) China's state-peasant alliance. The former began very early, taking shape *circa* 530 BC to 290 BC;³⁶ the latter, rival to Confucianism, came about *circa* 200-233 BC.³⁷ What fused these two opposite traditions together was a 15-year-long war from 236 to 221 BC for unification to end all wars on East Asia Mainland under the leadership of Emperor Qin Shihuang (r. 221-210 BC). During the war, the unifier, the Qin Kingdom (770-221 BC), was short of money to pay for its soldiers and began to pay its military personal farmland with private property rights. Such an accidental institutional arrangement turned

³³ One way to measure this tax burden out of 52 weeks a year: One percent.

³⁴ Feuerwerker, 'State and the Economy', p. 322.

³⁵ Hayek, *Serfdom*; Olson, 'Dictatorship'.

³⁶ Two important figures responsible for the establishment of Confucian ideology were Confucius (551-479 BC) and Mencius (372-289 BC). But, it was not until 134 BC when Dong Zhongshu (192-104 BC) persuaded Emperor Wudi (r. 141-87 BC) of the Han Dynasty was Confucianism adopted as the state philosophy. The time lag from an ideology to a state philosophy was over three centuries.

³⁷ Legalism was the creation of the political strategist Han Fei (280-233 BC).

out to be the foundation of China's timeless 'state-peasant alliance' which was the core of the political economy of the empire ever since.³⁸ Call it an 'unintended consequence' if you will.

However, at the beginning, the alliance was unstable. The tyranny of rent-seeking by a centralised state through heavy taxation including corvée prevailed. It was documented that the new government corvée burden and tax rate was 20 and 30 times higher than before, respectively.³⁹ A mass tax-rebellion by the land-holding soldier-cum-peasantry followed, which ended the Qin rule in a matter of months.

This historic rebellion served as a catalysis for a change in the leading ideology from Legalism to Confucianism. In the following Han Dynasty (206 BC-220 AD), the political elite's determination to outlaw excessive, rapacious rent-seeking led to a wholesale adoption of the Confucian ethic and code of conduct whose centrality was the concept of 'benevolence' or 'benevolent rule' (*ren*). Benevolence necessitates low taxation. But how low was low? The new Han standard rate for annual farming output was set at '1 of 30' (*sanshi er shui yi*), or 3 percent.⁴⁰ This new taxation standard stabilised the empire morally and politically; and the Han Dynasty lasted for four centuries compared with mere 14 years of its predecessor Qin. This longevity justified the adoption of Confucian taxation self-discipline as a 'system stabiliser', a *sine qua non* and *chose jugée* for the existing state-peasant alliance. This process took eight decades (221 BC to 134 BC) to complete. Once the state-peasant alliance and Confucian ethic and code of conduct joined up and worked symbiotically, it created path dependence.

So, under the normal circumstances, Confucian ethic and code of conduct acted as the 'soft sanction' against deviation from ultra-low taxation by measuring government legitimacy, or the lack of it. If Confucian sanction failed (and did), there was the 'hard sanction' of outright political violence to end an illegitimate dynasty and re-set the clock. Over the two-millennium long Imperial rule in China there were over 2000 mass rebellions.⁴¹ Rebellions effectively deterred deviation from the ultra-low tax norm. Thus, peasant rebellions, like a sword of Damocles, formed the ultimate stabiliser of China's socio-political-economic norm. One finds no Chinese equivalent in Europe's past.

³⁸ Deng, *Chinese Economy*, pp. 139-40.

³⁹ Ban, *Han Dynasty*), vol. 1, p. 477.

⁴⁰ Ibid.

⁴¹ Deng, *Premodern Chinese Economy*, ch. 4.

Right from the beginning of the empire, the degree of rent-seeking and the duration of a dynasty's shelf life were negatively correlated. The choice that a ruler could make was between 'rent-seeking and ruling China short' and 'rent-restricting and ruling China long'. Unless one understands this correlation, China's taboo against heavy taxation remains a myth. It is now easy to understand also how and why the Eurocentric accusation against the Imperial state of China of being *incompetence* can be both naïve and unjustified.

Fast forward in history, the violent ending of the barbaric Yuan in 1368 was good riddance for the Chinese. The following Ming was in a mood of cultural and socio-economic renaissance from the disastrous military conquest of the Mongols (1279-1368) who introduced a whole spectrum of alien systems, ranging from the Mongolian and Persian languages, apartheid, slavery, serfdom, trade monopoly, to hyper-taxation.⁴² The first thing the Mongol conquest carried out was the abolition of China's law, bureaucracy, Confucian ideology, social stratification, free land-holding peasantry, and free market, all in one go. And, heavy losses in indigenous Han Chinese population followed,⁴³ which never fully recovered under the entire Mongol rule over nine decades.⁴⁴ So, before being toppled by a bloody rebellion in 1368, the Mongols presented a constant threat to the very survival of the Chinese civilisation.

Logically, the Ming rule of the indigenous Han Chinese was obliged to reverse the Mongol system to rescue the Chinese civilisation from a total ruin. The essence of the renaissance was to rebuild the state-peasant alliance plus the Confucian ethic and code of conduct. On the whole, the renaissance was a great success which was highlighted by the propagandic seven voyages to the Indian Ocean by the Ming Armada during 1405-1433 AD, the greatest maritime show in the world of the time.⁴⁵ Meanwhile, needless to say, the ultra-low tax regime was fully restored (see Figure 1).

⁴² Ibid., ch. 5.

⁴³ Prior to the Mongols conquests, China's population was about 100 million. According to the official information, in 1261AD, China's population was 7 million persons (1.1 million households to be exact). The decline was a whopping 93 percent. See Song, *Yuan History*, vol. 9, p. 7247. The reason was an undeniable genocide policy carried out by Kublai Khan, 'the Butcher of China' (r. 1260-94 AD). Kublai's notorious declaration was documented as: 'As the Han Chinese are useless to us, let us kill them all for land to feed livestock.' Ibid., vol. 9, p. 7635.

⁴⁴ By the time when the Mongols were toppled, China's total population was still 22 percent lower than *circa* 1200 AD; see Liang, *Dynastic Data*, p. 8.

⁴⁵ Deng, *Maritime Sector*.

4. Specific Determinants for Ultra-low Tax Regime under the Qing

From *circa* 1400 to 1700, the global climate cooled down, known as the Little Ice Age. The average temperature dropped by at least 0.5° C globally.⁴⁶ This *force majeure* caused severe droughts during the 1620s-30s in Northern China and crop failures became common.⁴⁷ As the Ming Treasury possessed little savings, government budget was helplessly cut, as a good Confucian state had to do. As a result, government employees were affected. Like many, Li Zicheng (1606-45), an Imperial Post employee, lost his job. He joined the army on the frontier but his finance did not improve, as the soldiers did not get paid, either. He managed to plot a mutiny and hence a rebellion began in 1627.⁴⁸ This rebellion was clearly not because of heavy taxation. Rather, crop failures dramatically lowered the threshold for social unrest, and the participants – overwhelmingly vagrants – had nothing to lose.

From 1627 to 1644, the rebels, not particularly numerous by the Chinese standard, gradually controlled the Yellow River Valley. In 1644, they attacked the capital city Beijing, captured the Imperial Palace, and declared a new dynasty '*Dashun*' (literally 'Big Smooth'). The last Ming Emperor (r. 1628-44) committed suicide. Clearly, the rebels were better funded and better organised than the Ming army.

But the new rebels' regime lasted for just 42 days. What the rebels did not take into account was the diplomatic skills of the Ming elite. After the fall of Beijing, one of the military leaders of the Ming Army, Wu Sangui (1612-1678), opened the gate of the Shanhaiguan Pass along the northeast corner of the Great Wall defence line and invited 60,000 elite cavalymen of the Manchus as mercenaries in a bid to expel the rebels. The fate of the mob rebels was soon doomed.

But what happened next surprised the Ming host: instead of restoring the Ming emperorship, the Manchu mercenaries took over Beijing and established their own *fait accompli* dynasty, the Qing (1644-1911). This caused resentment and animosity on the Chinese part. All that the Manchu empire-thieves could do was to redeem their 'sin' of breaching the 1644 contract with the Mings. The most significant measures for the Manchu *coûte que coûte* redemption included (1) Sinicisation and Confucianisation,⁴⁹ (2) power-sharing with the indigenous Han Chinese, and (3) full adoption of Confucian benevolent rule.

⁴⁶ Various sources: e.g. Anon, 'Global Temperature'; Anon, 'Temperature Reconstruction'; Anon, 'Warming Period'.

⁴⁷ Zhang, *Ming Dynasty*, vo. 10, p. 7837.

⁴⁸ *Ibid.*, vo. 10, pp. 8643-44.

⁴⁹ Rawski, 'Reenvisioning the Qing'; Ho, 'Sinicization'; also, Crossley, *Translucent Mirror*; Elliott, *Manchu Way*.

First of all, it was the choice of the name for the new dynasty. ‘Qing’ means ‘keeping China cleaner than before’ or ‘being whiter than white’. This makes a good sense if one understands the horrendous damages inflicted by the Mongol anti-Chinese rule in 1279-1368, a nightmare that was still alive in the collective memory of the indigenous Han Chinese. So, the word ‘Qing’ served as an insurance to the Chinese: We Manchus were different.⁵⁰

Secondly, all the Chinese social norms and customs were carefully observed. The Ming motto for the empire remained unchanged: ‘A united empire of the Han and non-Han peoples alike’ (*tianxia yitong, huayi yijia*).⁵¹ The last Ming Emperor, the victim of the Ming rebellion, was given a state funeral organised by the Qing authorities.⁵² Ming Imperial tombs were also carefully protected.⁵³ The Chinese language was granted the status of the first official language, a practice which eventually led to outsiders’ mistaking the language used in the Qing Court for the ‘Manchu language’ (hence the English term ‘Mandarin’). The Manchu language was so ignored that it was gradually lost. From a young age, all Qing Imperial family members were strictly educated by top Chinese scholars to indoctrinate their ‘Chinese-ness’ artificially.

Thirdly, all key Ming institutions stayed intact. As Fairbank correctly points out, ‘the Manchu by the time they came to power in China had already mastered the Confucian art of government and reconciled their own political institutions with it’.⁵⁴ Confucianism remained as the state philosophy. There was a seamless continuation of bi-annual Imperial Examinations for Recruiting Bureaucrats (*keju*): The last Ming examination took place in 1643, while the first Qing examination began in 1646 without any change in rubric.⁵⁵ In total, the Qing state ran 122 examinations for civil servants and 102 examinations for military officers. The Ming could not have done any better. In addition, in the Qing examinations, top places (*zhuangyuan*) were awarded overwhelmingly to the ethnic Han (Table 4). In contrast, the Yuan Mongols suspended Imperial Examinations for 80 years. When the Imperial Examinations were reluctantly resumed in the last decade at the end of the Mongol anomy, the best qualified in society – the erudite Han Chinese – were only granted a quarter of all

⁵⁰ It is worth noting that in 1234 AD the Mongols conquered the Jin Kingdom of North China (1115-1234 AD), slaughtered and enslaved the Jurchens. The Jurchens were, no less, the ancestors of the Manchus. Among the Han, Jurchens/Manchu and Mongols, the Mongols were *the least* civilised and were thus *persona non grata*.

⁵¹ Dong, *Emperor Taizhu*, vols 30, 53, 264.

⁵² See Zhao, *Qing Dynasty*, vol. 12, p. 9826.

⁵³ Wei Zaitian, Xu Xuechu and Li Yawei (eds), *Kangxi Zhiguo Shengxun (Emperor Kangxi's Instructions on State Management)* (Beijing: Expatriates' Press, 1995), p. 251.

⁵⁴ Fairbank, *United States and China*, p. 77.

⁵⁵ Song, *Champions*, pp. 52, 451-5.

candidates in order to keep the monopoly of the state power by the Mongols among whom many were illiterate.⁵⁶

Table 4. Distribution of Examination Champions during the Qing

	Manchu, % in total	Han, % in total
Civil examinations	2.7	97.3
Military examinations	2.8	97.2

Source: Song, *Champions*, pp. 52-104, 451-5.

In addition, laws were passed to allow Han Chinese to become officials with little discrimination. The Qing regulations had a total of 278 pages on ‘How to Select Han Chinese as Officials’ (*xuan banguan*) compared to only 100 pages on ‘How to Select Manchus as Officials’ (*xuan manguan*).⁵⁷ As a result, power-sharing between the Manchu and Han Chinese was achieved (Table 5). This power sharing, out of *savoir-faire* maybe, contrasts sharply with the Yuan Mongol dystopia under which the indigenous Chinese were systematically excluded from office while Europeans and Middle-Easterners (*semu ren*) were purposely brought in to work for the Mongol regime as mercenary bureaucrats.⁵⁸

Table 5. Ethnic Distribution of Officials and Officers (% in Total), 1644-1911

	Manchu	Han Chinese	Mongols	Total
I. Top ranks (1st - 3rd Grades)				
Civil*	52.5	45.9	1.6	100
Military†	38.5	38.5	23.0	100
II. Middle ranks (4 th - 6th Grades)				
Civil*	63.1	32.7	4.2	100
Military†	57.7	24.4	17.9	100
III. Lower ranks (7th - 9th Grades)				
Civil*	77.6	16.4	6.0	100
Military†	40.9	31.8	27.3	100
Total (I+II+III)	59.4	25.5	15.1	100

Sources: Dai, *Comprehensive Indices*, pp. 1206-1390; Zhang, *State Apparatus*, pp. 6, 38-43, 57, 79, 105-6, 126; Song, *Champions*, pp. 477-87.

Notes: * Positions in the central administration only. † Officers of the elite Eight Banners.

Finally, to win the heart and mind of the indigenous Han Chinese, the Qing state maintained the Confucian doctrine of benevolence to its full. The Qing state recognised people’s entitlements and

⁵⁶ Deng, *Development versus Stagnation*, p. 24.

⁵⁷ Anon., *Regulations*, pp. 113-213, 214-492.

⁵⁸ Marco Polo was thus lucky for being a non-Chinese; and he knew little about the brutality of his nomadic boss.

knew how to increase them.⁵⁹ Although before 1700 the Qing tax burden was already on par with the Ming, an extra mile was taken in 1712 to freeze the total revenue from direct taxes for good.⁶⁰ Not a temporary expediency, this was a long-term commitment *ex ante*, also a huge gamble, unilaterally taken by the head of the state, suggesting that the Manchus were fully aware that they only lived on borrowed time.

As China's population and farmland both on the rise, declines in the tax burden were logical.⁶¹ In the end, the Qing direct-tax burden per head and per unit of farmland fell 79 percent and 50 percent, respectively.⁶² As a result, the Qing taxation became so light that 'people barely noticed the tax system, almost as if they suffered no tax burden at all.'⁶³

To sum up, The Ming-Qing ultra-low tax regime did not come about randomly but was dictated by (1) a super-long tradition marked by the state-peasant alliance and its matching Confucian ethic and code in general, and (2) the Manchu desire to redeem their political sin through winning the heart and mind of the indigenous Han Chinese in particular. So, the Manchus were superiorly shrewder than their foolhardy Mongol counterpart. Nothing was left for chances, *verbun sat sapienti*. Therefore, there was no mass tax rebellion in the rural sector during the Qing for 200 years (1644-1844). *Quid pro quo*: Mission accomplished.

5. 'First Order' Impact of China's Ultra-low Tax Regime

An obvious issue is the impact of ultra-low taxation on the state size and function. Firstly, behind its façade of extravagance, the Ming-Qing state was tiny for a vast land-based empire of 11 million km² (as of 1800).⁶⁴ The total number of bureaucrats on the government payroll was less than 27,000, and the number remained stagnant. Between 1700 and 1850, officials increased by less than 10 percent (from 24,150 to 26,355) with an annual growth of 0.06 percent.⁶⁵ In contrast, the Qing population increased 1.5 percent annually, 25 times that of the officials'.⁶⁶ As bureaucrats

⁵⁹ For the concept, see Sen, *Poverty and Famines*.

⁶⁰ Zhao, *Qing Dynasty*, vol. 11, p. 9261.

⁶¹ Deng, 'True Population Statistics', Appendix 2.

⁶² Liu and Fei, 'Land Tax Burden', pp. 373, 375-6.

⁶³ Mann, *Local Merchants*, p. 16.

⁶⁴ Yang, *Bureaucracy*, pp. 420-1; Zhao, *Qing Dynasty*, vol. 11, pp. 9071-9131.

⁶⁵ Yang, *Bureaucracy*, pp. 420-1. According to Chung-li Chang's, Qing officials were between 12,000 and 22,830; see Chang, *Income*, pp. 42, 197, 329-30.

⁶⁶ For the Chinese population, see Deng, 'True Population Statistics', Appendix 2.

spread thinner and thinner across China, only 2,546 key officials were left in Beijing in charge of the central government (Table 6).⁶⁷

Table 6. Officials Employed in Beijing

	Number of officials
Cabinet (<i>neige</i>)	288
Six ministries (<i>linbu</i>)	1,964
Lesser departments	582
Total	2,546

Sources: Yang, *Bureaucracy*, pp. 420-1; and Zhang, *State Apparatus*, pp. 6, 39, 43, 57, 79, 106, 127.

Against the backdrop of an enlarged population of 398.9 million (as of 1833),⁶⁸ the following ratios reveal the ‘low-budget plight’ of the Qing state:

Population to all officials	15,136:1
Population to magistrates	214,710:1 ⁶⁹

In addition, 2,650 military officers were responsible for a standing army of 780,000 troops for national defence,⁷⁰ hence the ratio:

Soldiers to officers	294:1
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The ultimate *raison d'être* of a small bureaucracy was the limited government budget. It is known that the highest annual basic pay for Qing officials was 180 *taels*, and the lowest 45 *taels*.⁷¹ Provincial officials were also eligible for performance bonuses (known as *yanglian yin*, or ‘Bonus for Honesty and Uprightness’), 20 to 110 times of the basic pay, depending on rank, responsibility and financial affordability.⁷² If the annual average salary of officials was set at the level of 500 *taels* per head, the total wage bill would be in the region of 13 million *taels* for the 26,000 so or officials and officers.

⁶⁷ The Qing central government ran 24 hours a day to keep the empire going; see Wanyan, *Government Offices*, pp. 172-81.

⁶⁸ Deng, ‘True Population Statistics’, Appendix 2.

⁶⁹ Based on the facts that 90 percent of the Qing population (hence 359 million in 1833) was rural, living in 1,672 counties.

⁷⁰ Counting 120,000 Eight Banners (*baqi*) and 660,000 Green Standards (*liyings*, literally ‘Green Corps’); see Zhao, *Qing Dynasty*, vol. 11, pp. 9305, 9307.

⁷¹ He and Wei, *Qing Administration*, p. 868.

⁷² A country magistrate got 600-1,000 *taels* on top of his meagre 45 *taels* basic salary while a province governor-general got 15,000-20,000 *taels* bonus on top of his 180 *taels* basic salary; see Cheng and Ying, *Regulations of Ministry of Revenue*, vol. 73, ‘Honesty and Uprightness Bonus’; see also Zuo, *Honesty and Uprightness Bonus*; Zelin, *Magistrate’s Tael*.

The lion's share of the state spending was the military: an ordinary Banner soldier (*baqi*) received a living allowance of 36 silver *taels* plus 5 *shi* stipend rice (362.5 kg) each year.⁷³ In the 1850s, the Qing standing army maintained 780,000 troops.⁷⁴ So, the Qing military would cost another 28 million *taels*, excluding the rice.

These two items – official salaries and soldier allowances – would balance the book of the Imperial Treasury with little surplus (Table 7). In this context, the taxation lid imposed in 1712 dictated the size of the Qing apparatus.

Table 7. Annual Monetary Revenues and Expenditures, prior to 1850, in Million *Taels*

	Revenue	Expenditure	Balance
Land-Poll	±33		
Slat	±10		
Bureaucrats' wages		±13	
Soldiers' allowances		±28	
Total	±43	±41	±2

Source: Text above.

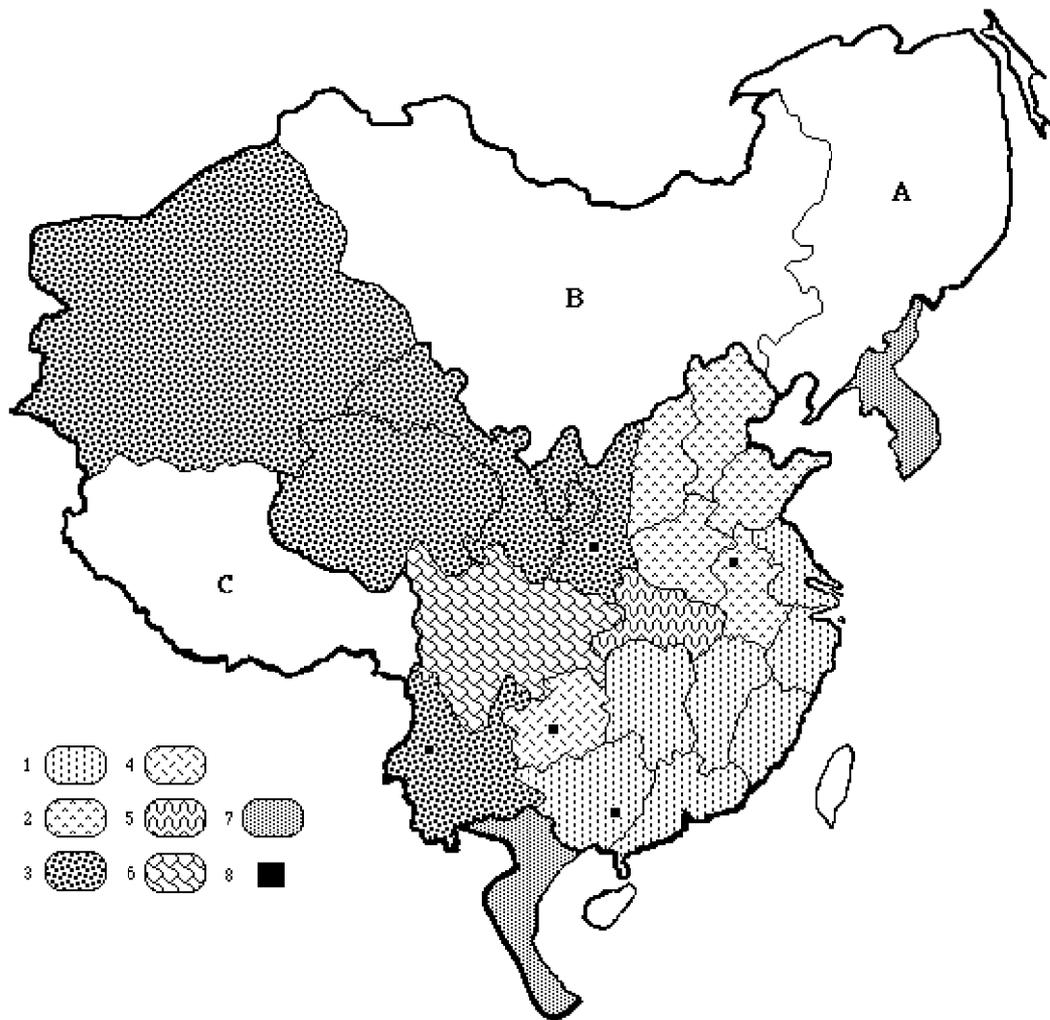
This low-tax equilibrium was only ended by an empire-wide two-decade-long social unrest in the 1850s–70s (Figure 3). The fundamental reason for the unrest to break out was the aforementioned low budget plight which led to low government presence in society rather than imaginative *idée fixe* of heavy suppression and heavy taxation imposed on 400 million people across 11 million km². Once again, the rebels were at times better funded and better organised than the Qing army.⁷⁵

⁷³ Zhao et al., *Military History*, vol. 3, p. 459.

⁷⁴ Zhao, *Qing Dynasty*, vol. 11, pp. 9305, 9307.

⁷⁵ Deng, *Premodern Chinese Economy*, ch. 4.

Figure 3. Simultaneous and Ubiquitous Social Unrests, the 1850s–70s



Sources: Yi and Zhu, *Miao Bandits*, vols 1–40; Yi and Zhu, *Muslim Bandits in Shaanxi*, vols 1–320; Yi and Zhu, *Muslim Bandits in Yunnan*, vols 1–50; Yi and Zhu, *Taiping Bandits*, vols 1–420. Also Michael, *Taiping Rebellion*, vol. 1, p. 216; Fairbank and Liu, *History of China*, vol. 11, pt 2, p. 216; Spence, *Modern China*, p. 187; Li et al., *Peasant Rebellions*; Atwill, *Chinese Sultanate*.

Notes: 1 = Taiping-affected provinces (excluding their failed manoeuvres and attacks on Zhili, Hebei, Henan, Shandong, Shanxi and Anhui); 2 = Nian-affected provinces; 3 = Muslim unrests affected provinces; 4 = Miao unrest affected province; 5 = Nians and Muslims overlapping; 6 = Taipings and Nians overlapping; 7 = non-Qing territory; 8 = Spots where unrests broke out; anticlockwise: northern Anhui (Nians), southern Shaanxi (Muslims), western Yunnan (Muslims), central Guizhou (Miao), and eastern Guangxi (Taipings). A = Manchuria; B = Mongolia; C = Tibet.

In the wake of the aforementioned empire-wide social unrest in the 1850s throughout the 1870s, Transit Surcharge, some 9 million *taels* per year, was earmarked to build a new military equipped with expensive firearms of the European style. It was documented in the 1880s when the dust finally set, provincial armed forces mushroomed with 360,000 troops in total, costing minimal 20 million *taels* per year, *ceteris paribus*.⁷⁶

<u>Province</u>	<u>Troops</u>
Manchuria	32,407
Zhili	63,400
Shandong	13,950
Sshanxi	4,900
Henan	9,190
Shaanxi	14,450
Gansu	12,500
Xinjiang	30,277
Anhui	11,290
Jiangsu	29,960
Zhejiang	21,300
Hubei	13,783
Hunan	12,970
Jiangxi	9,360
Sichuan	15,698
Yunnan	15,033
Guizhou	9,486
Fujian	10,540
Guangdong	11,800
Guangxi	16,940

In addition, by 1900, there had been also provincial water-borne forces (*shuishi*). They had 2,530 large ships and 44,900 marines.⁷⁷ They all cost money.

Bear in mind also, China's new military required modern capital-intensive arsenals to support, which in turn needed revenue to finance (Table 8).

⁷⁶ Zhao, *Qing Dynasty*, vol. 11, p. 9311.

⁷⁷ Zhao, *Qing Dynasty*, vol. 11, pp. 9318-24; Zhang and Gao, *Naval History*, p. 418.

Table 8. Provincial Arsenals and Annual Outputs

Name	Location	Start time	Output
Suzhou*	Suzhou	1865	Bullets (100,000 rounds)
Jiangnan*	Shanghai	1867	Rifles (65,000), bullets (8.6 million), cannons (742), shells (1.6 million), gunpowder (6.7 million pounds), and ships (15)
Tianjin*	Tianjin	1870	Rifles (52), bullets (16.1 million), shells (40,000), and gunpowder (6.1 million pounds)
Guangzhou	Guangzhou	1874	Bullets (240,000)
Sichuan	Chengdu	1877	Rifles (18,681), bullets (3.3 million), and shells (5,400)
Hanyang*	Hubei	1890	Rifles (18,250), bullets (15.6 million), cannons (96), shells (84,000), and gunpowder (7,200 pounds)
Jinling*	Nanjing	1899	Rifles (18), bullets (131,500), cannons (64), and shells (65,800)

Sources: Xu, *Westernisation Movement*, pp. 25, 28, 32, 34, 35, 36; Li, *Late Qing*, p. 423. Also, Wright, *Chinese Conservatism*, p. 293.

Obviously, the annual 9 million-*tael* Transit Surcharge revenue was not enough. But, the Qing state already reached its moral and physical limits for both direct and indirect taxes. Then, foreign debts became for the first time in China's history as a welcoming option to top up the meagre state finance. Importantly, foreign borrowing was *not on the Confucian moral agenda* and was thus *not politically incorrect*. Facing no opposition in society, both Beijing and provinces borrowed heavily from the international capital market (Table 9).

Table 9. Foreign Debts, Beijing vs Provinces (in 10⁶ *Taels*), 1853-1911

	Britain	France	US	Germany	Japan	Russia	Other	Total
Beijing	21.1	21.4	70.6	—	7.9	—	—	121.0
Provinces	36.4	—	25.1	7.7	16.0	9.3	11.9	106.4
Total	57.5	21.4	95.7	7.7	23.9	9.3	11.9	227.4

Source: Li, *Late Qing*, pp. 133, 184, 217, 218, 219, 223, 225, 227, 230, 238, 244, 252, 255, 265, 278, 278, 326, 340, 340, 360, 376, 393, 452, 464, 474, 482, 484, 488, 488, 489, 513, 528, 537, 548, 566, 627, 630, 640, 651, 730, 807, 823, 833, 845, 867, 881, 902, 916, 943, 964, 966, 980, 1003, 1023, 1053, 1055, 1056, 1065, 1073, 1094, 1099, 1109, 1119, 1130, 1134, 1138, 1139, 1140, 1141, 1144, 1150, 1151, 1152, 1157, 1158, 1164, 1165, 1166, 1169, 1170, 1173, 1174, and 1175.
Note: Excluding foreign borrowings for China's railway projects because the ambiguity in the ownership.

Secondly, the function of the Imperial state was extremely limited. On the county level, China genuinely ran a 'night-watchman state' which Adam Smith could only dream of. Regarding judiciary, at the grassroots level, a Qing county court typically opened for business for just two open days per month (*gaofang ri*) for a total of six months a year. In its upmost capacity, a county

magistrate received maximum 200 cases on each open day, or 2,400 cases each year.⁷⁸ Given the aforementioned population-to-magistrates ratio of 214,710:1, 2,400 cases per year were likely to be just the tip of the iceberg. If all legal disputes had been handled by the state, the government would be crashed by the workload.⁷⁹ The solution was found in villages. In majority cases, customary rules (*suli*, literally ‘customary precedents’) and non-official channels were used to reach a settlement.⁸⁰ Disputes were submitted to officials only after all non-official means and channels were exhausted.⁸¹ Clearly, the state judiciary became optional if not redundant.

In terms of social order, there was no Imperial police force on the ground at all. Each village ran its own voluntary ‘Neighbourhood Watch Units’ (*lijia*, *baojia*). Entirely self-financed and self-regulated, these neighbourhood watch units were not a branch of Imperial government.

Neighbourhood watch units devoted one month in autumn to collecting government taxes, e.g. Land-Poll and Stipend Rice for the Imperial state,⁸² as the Ming-Qing authorities did not have the required manpower to do so. On top of tax collection, which occupied 8 percent of the time a year, the key task of neighbourhood watch units was to organise communal vigilance against internal crimes and external attacks in the form of ‘village guards’ called *xiangbing* (literally ‘village soldiers’) and *tuanlian* (literally ‘village trainbands for self-defence’).⁸³ This police force did not cost the Imperial state a penny. By Qing law, it was forbidden to hire village guards for any official deployments.⁸⁴ So, the tentacles of the Ming-Qing state stopped at the village gate.⁸⁵ Village gents, those who possessed Imperial Examination degrees to gain their social footing, played a key role in running village autonomy.

From the viewpoint of law and order (judiciary and police), villages (about 900,000 in total) in China were highly autonomous which was a perfect match with the minimal state. Some commonly circulated hypotheses, such as (*pace tua*) Marx’s ‘Asiatic Mode of Production’ and Wittfogel’s ‘Oriental Despotism’, do not hold much water for Ming-Qing China at all.⁸⁶

⁷⁸ Dang, *Shysters’ Culture*, pp. 64-6.

⁷⁹ Bodde and Morris, *Law*.

⁸⁰ Jerome, ‘Uncivil Dialogue’; Cohen et al., *Legal Tradition*; Liang, *Customary Law*; see also Huang, *Civil Justice*; Huang, ‘Civil Adjudication’.

⁸¹ This was often mutually agreed between the villagers and the country magistrate; see Zelin, ‘Rights of Tenants’, pp. 521-2.

⁸² Jiang and Wang, *Qing Records*, Entry ‘Kangxi Wushiyi Nian Eryue’ (The 2nd Month and the 51st Year under the Kangxi Reign).

⁸³ Zhao, *Qing Dynasty*, vol. 11, pp. 9314-5; also Kuhn, *Rebellion*.

⁸⁴ Zhao, *Qing Dynasty*, vol. 11, p. 9314.

⁸⁵ Scalapina and Yu, *Modern China*, p. 8; see also Ch’ü, *Local Government*.

⁸⁶ Pryor, ‘The Asian Mode of Production,’ Wittfogel, *Oriental Despotism*.

As a result, citizens enjoyed freedom which was rather unusual in a premodern society. Such freedom was viewed as excessive, and even harmful, by the Republican leader, the American-educated Sun Yat-sen, who famously said that:

*In China, everyone has maximised his own freedom; consequently, society has become a sheet of loose sands.*⁸⁷

And,

*If a sheet of loose sand is the feature of the Chinese, our freedom has been too much for too long.*⁸⁸

Sun declared that his revolution was to end people's freedom in exchange for patriotism and a larger and stronger state, *à la* Europe and United States.⁸⁹ Sun had a point.

6. 'Second Order' Impact of China's Ultra-low Tax Regime

First of all, the Ming-Qing minimal and rent-restricting state undoubtedly contributed to ordinary Chinese material well-being and living standards on par with Western Europe by 1800, as what Kenneth Pomeranz argues.⁹⁰ China's high living standards went hand in hand with (1) the unprecedented population growth and (2) the huge intake of foreign silver by China through exporting huge surplus produce by China's private sector.⁹¹

However, these benefits were easily cancelled out by a lack of internal law and order and external sovereignty/defence, due to the small state for the empire. Everything began to go wrong in the end of the eighteenth century. Domestically, it was the 1796-1805 'White Lotus Riot' by the Buddhist *Maitreya* Sect, sweeping five provinces for nine years. This unrest foretold the simultaneous empire-wide unrests on a much larger scale 50 years later.⁹² Meanwhile, the illicit opium imports took roots on China's long coast, which was out of Beijing's control. In the following nineteenth century, the drug imports increased by a factor of 7 (Table 10). The only serious counter-measure was taken in 1839 which triggered the First Opium War.

⁸⁷ Sun, *Three Populist Doctrines*, p. 86.

⁸⁸ *Ibid.*, p. 92.

⁸⁹ Burns and Hart, *Fragment on Government*; Dinwiddy, *Bentham*; Smith and Sosa, *Mill's Utilitarianism*; Berger, *Happiness, Justice, and Freedom*; Griffin, *Well-Being*.

⁹⁰ Pomeranz, *Great Divergence*.

⁹¹ Liang, *Dynastic Data*, p. 8; Frank, *ReOrient*.

⁹² Zhao, *Qing Dynasty*, vol. 12, pp. 9808, 9889, 9932, 10048, 10053, 10142. Also see Institute of History of the Chinese Academy of Social Sciences, *White Lotus Uprising*, vols 1-5.

Table 10. Opium Exports to China

	Value in silver, ton	Index
1810s	1,097.1	100
1830s	3,148.2	287
1840s	5,026.8	458
1850s	7,155.0	652
1860s	8,347.5	761
1870s	8,586.0	783
1880s	8,109.0	739

Sources: Hao, *Commercial Revolution*, p. 69; cf. Morse, *East India Company*, vols 3-5.

This was however just the beginning of China's international humiliation. After China's defence weakness was ruthlessly exposed by the British, copy-cat wars against China followed (Table 11):

Table 11. Wars against China

Time	Name and cause
1856-60	Second Opium War (also known as the 'Arrow War') over a dispute about a Hong Kong ship and treatment of a French missionary
1883-5	Sino-French War (also known as <i>Guerre Franco-chinoise</i>) over the control of Vietnam
1894	First Sino-Japanese War (also known as the '1894 War') over the control of Korea
1900	Invasion of the Eight-Nation Alliance after the Boxer Rioters' attacks on Catholic priests and converts

Sources: Forsyth, *China Martyrs*; Broomhall, *Martyred Missionaries*; Fairbank and Liu, *History of China*, vol. 11, pt 2, pp. 115-30; Tang, *Boxer Riot*, vol. 4; Preston, *Boxer Rebellion*.

Being a repeated loser in the wars, China signed 26 treaties with 12 foreign powers and granted the later 38 privileges (Table 12). From 1840 to 1900, China's war reparations payable to foreign powers mounted to 713 million silver *tales* (26,600 tons),⁹³ equivalent to 17 years of the Qing annual direct taxes.⁹⁴ China's defence weakness cost the Imperial state dearly.

⁹³ Zhang, *Chinese Economic History*, pp. 874-80; Tang, *Customs Revenue*, p. 33.

⁹⁴ Liang, *Dynastic Data*, pp. 387, 397-98, 401, 415-16.

Table 12. 'Unequal Treaties' Signed by China, 1842-1901

Date	Treaty	Beneficiary	Main benefit
1842-50	5	UK, USA, Fr	Pt, Rp, Tr, PR, UMF, CJ, CCD RD
1851-60	5	UK, USA, Fr, Rs	Pt, Rp, Tr, UMF, CJ, RD, CCD RL, FA
1861-70	2	UK, USA	FT, RR
1871-80	2	UK, USA	Pt, UMF, CJ, FA, RL
1881-90	3	Fr, Prl	CCD, Pt, UMF, CJ, Tr, PR
1891-1901	9	UK, USA, Fr, Atr, Sp Blm, Fr, Gm, Hld, Itl Rs, Jp	Tr, Rp, Pt, CCD, RF, UMF RD, RR
Total	26	12	38

Source: Based on Zhang, *Encyclopaedia*, pp. 874-80.

Notes: Atr – Austria, Blm – Belgium, Fr – France, Gm – Germany, Hld – Holland, Itl – Italy, Jp – Japan, Prl – Portugal, Rs – Russia, Sp – Spain. CCD – Cut in Customs Duty; CJ – Consular jurisdiction; FA – Free access to the interior; FT – Free trade of goods; PR – Permanent residency for foreigners; Pt – Free access to trading ports; RD – Right to deploy foreign armed forces; RF – Right to build factories; RL – Right to recruit Chinese labourers for overseas markets; Rp – War reparation; RR – Right to build railways; Tr – Territorial gain including cession and concession of land; UMF – Unilateral most-favoured-nation treatment for trade.

7. Final remarks

China's unique ultra-low tax regime began after 134 BC during the Han Dynasty (206 BC-220 AD) and became a tradition. After the Mongol rule (1279-1368), it was re-established during the Ming (1368-1644) and entrenched under the Qing (1644-1911).

The institutional arrangement which dictated the ultra-low tax regime came from Legalism and Confucianism, two competing ideologies historically. Chronologically, the former created aspirations for unification on East Asian Mainland to *make peace*; and the latter instrumentalised benevolence to *keep peace* after the birth of the empire.

Despite the almighty appearance of the Imperial state, the state-peasant alliance and the Confucian benevolence jointly restricted rent-seeking by the state as shown in the Ming case. This distaste for rent-seeking was enhanced by the Manchu ruler for the sake of winning the heart and mind of the vast majority of society – the indigenous Han Chinese – after the Manchu mercenaries breached their contract with the Mings and stole the empire.

With all these intricacies, the ultra-low tax regime in China was a highly rational choice made by the state. History proves also that until the second half of the twentieth century it took many shocks and crises to rock the system, often unsuccessfully.⁹⁵

⁹⁵ Deng, *Political Economy*.

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