

Contents

| | |
|---|----|
| 1 Introduction | 1 |
| References | 10 |
| 2 Informal and Formal Contracts | 13 |
| 2.1 Introduction | 13 |
| 2.2 The Informal Contractual Arrangements in Wenzhou..... | 15 |
| 2.2.1 Direct Private Borrowing | 17 |
| 2.2.2 Borrowing Through the Intermediary of Yinbei | 17 |
| 2.2.3 Juhui | 18 |
| 2.2.4 Direct Fund Raising by Enterprises | 18 |
| 2.3 Formal Contractual Arrangements | 24 |
| 2.3.1 Bills of Exchange | 24 |
| 2.3.2 Documentary Credit | 29 |
| 2.3.3 Secured Lending | 32 |
| 2.4 Contract Law Enforcement and Economic Development | 36 |
| 2.5 Conclusion | 41 |
| References | 42 |
| 3 Contract Enforcement Revisited | 45 |
| 3.1 Introduction | 45 |
| 3.2 A Demand-Side Analysis | 46 |
| 3.2.1 Problems with Informal Contract Enforcement | 46 |
| 3.2.2 The Nature of China's Economy | 47 |
| 3.2.3 Liberalization of the Chinese Economy and the Formal Law | 49 |
| 3.3 A Supply-Side Explanation | 52 |
| 3.3.1 Statistical Evidence | 53 |
| 3.3.2 A Political Economy Explanation of the Supply-Side Expansion | 59 |

| | | |
|----------|--|------------|
| 3.4 | The Survey Results..... | 61 |
| 3.5 | Conclusion | 68 |
| | References | 68 |
| 4 | The Role of Mortgages | 71 |
| 4.1 | Introduction | 71 |
| 4.2 | The Device of Mortgages and Formal Law | 72 |
| 4.3 | Mortgages Law and Bank Lending..... | 77 |
| 4.3.1 | The Legal Framework | 77 |
| 4.3.2 | The Evidence and Explanations..... | 82 |
| 4.3.3 | Questionnaire Survey..... | 88 |
| 4.4 | Conclusion | 89 |
| | References | 90 |
| 5 | Protective and Non-protective Functions of Law | 95 |
| 5.1 | Introduction | 95 |
| 5.2 | Inadequate Evidence in Dismissing the Role of Law in Economic Development | 96 |
| 5.3 | Signaling, Self-Commitment, and Coordination | 102 |
| 5.3.1 | Signaling | 102 |
| 5.3.2 | Self-Commitment | 106 |
| 5.3.3 | Coordination | 109 |
| 5.4 | The Role of Government | 113 |
| 5.4.1 | Introduction | 113 |
| 5.4.2 | Government's Role on SOEs..... | 115 |
| 5.4.3 | Government's Role in TVEs | 115 |
| 5.4.4 | Government's Role in the Provision of Public Goods | 118 |
| 5.5 | Conclusion | 118 |
| | References | 119 |
| 6 | Explaining the Persistence of Authoritarianism | 125 |
| 6.1 | Introduction | 125 |
| 6.2 | Modernization | 126 |
| 6.3 | Cultural or Ideological Explanation | 129 |
| 6.4 | The Geopolitical Variable..... | 132 |
| 6.5 | Resilience or Legitimacy | 137 |
| 6.6 | Review of Survey Results | 139 |
| 6.7 | Conclusion | 141 |
| | References | 142 |
| 7 | Democracy and Economic Development | 145 |
| 7.1 | Introduction | 145 |
| 7.2 | The Relationship Between Democracy and Economic Development | 145 |
| 7.3 | The Indirect Effects of Democracy on Economic Development..... | 149 |
| 7.3.1 | Rights to Property | 149 |
| 7.3.2 | Investment and Finance..... | 150 |

- 7.3.3 Rule of Law 152
- 7.3.4 Education and Human Capital 153
- 7.4 Indirect Effects and One-Party Rule 154
- 7.5 Conclusion 162
- References 163
- 8 Towards Deliberative Democracy 167**
 - 8.1 Introduction 167
 - 8.2 Motivations of Takeover of Corporations and Governments 169
 - 8.2.1 Motivations of Takeover of Corporations 169
 - 8.2.2 Motivations of Takeover of Governments 170
 - 8.2.3 A Comparison of the Motivations of Takeover
of Corporations and Governments 172
 - 8.3 Information and Expertise of Acquirers 174
 - 8.4 Resources Used and the Possibility of Externalizing
the Cost of Takeovers 175
 - 8.5 Measurement of Success or Failure of Takeover
of Corporations and Governments 176
 - 8.6 Implications for Regime Choices 179
 - 8.6.1 Legitimacy 179
 - 8.6.2 Democracy 181
 - 8.6.3 Performance 184
 - 8.7 Conclusion 188
 - References 189
- 9 Conclusion and Future Options 193**
 - 9.1 Political Options 193
 - 9.2 Economic Options 196
 - 9.3 Rule of Law Reform Options 199
 - References 201
- Index 203**