

Taxation in imperial China and the West

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Abstract. Imperial China had a durable taxation system that included land tax, poll tax, and labor services, the form and weight of the three taxes changed over time, the most representative tax system was the Zu Yong Diao system, whose levy standards were initially based on the person and levied in kind, however, the An Lushan rebellion changed the system, and the new tax system, two-tax law, remained stable in the late-imperial time. Transformed the tax system into the land-based and monetary levy. Remarkably, the main system of the three taxes was stable in imperial China, Meanwhile, the system of tax shifted greatly in West Europe, the consumption tax and heritage tax were founded at that time which well increased government revenue and supported the rise of the West. The relatively outmoded taxation, worsened the fiscal of late-imperial China, and separated the center and prefecture. The author argues that China was impeded by its severe principle-agent problem, and the structure of agricultural society aggravated the corruption in prefectures though the center was forced to maintain a low tax rate. Although the Qing dynasty had made a long prosperous period and impulsed profound reforms in taxation, it would fall into crisis as preceding dynasties in the 19th century even without Western threat.

Keywords: China, economic history, West Europe, taxation, principle-agent problem.

1. Introduction

Historians and economists generally concur that ancient China is an authorized imperial, a country with a concentration of power, monarchy, and a sophisticated bureaucrat system, expenditure to sustain the massive system was vast, In fact, Imperial China has distinct taxation compared to the West, The system was durable and its basics heritage for two millennia, however, it collapsed soon after the West rose and challenged the ancient imperial. I will depict the taxation in imperial China in the chapter on the origin of taxation in imperial China, I introduced the beginning form, the improved form of original taxation based on poll tax. And how this system was destroyed by the destructive An Lushan rebellion.

The chapter on Taxation in Late Imperial China describes the transition of taxation to depend on the land, then reforms were taken by Zhang Juzheng to combine land and poll tax and collected in currency, but the West was turning to modern taxation including consumption tax and inheritance tax, although Emperor Yongzheng transformed the Chinese taxation into its improved form, the problem of principle-agent was still serious and led the Imperial China towards its abrupt collapse.

2. Literature References

China's tax collection history can be dated back to the Zhou Dynasty, but the fundamental tax system in ancient China was founded in the Qin dynasty [1]. The tax can be divided into three general types, the land tax, the poll tax, and the commercial tax. These concepts thrived from M Qian's book [2,3], which provides a comprehensive overview of China's economic history, including aspects related to taxation. While the specific relevance of this source to the dynasty tax system is not outlined, it serves as a valuable resource for understanding the broader economic context within which taxation operated.

A pivotal work in the field of Chinese taxation is Wang's research [4], which delves into the intricacies of the land tax, which was a cornerstone of China's fiscal system. The book traces the evolution of land taxation, exploring its impact on the Chinese economy and society over a significant period.

The examination of tax collection in Chinese history is rooted in a deep understanding of the country's political, social, and economic context. Wakeman Jr.'s article [5] on the seventeenth-century crisis in China sheds light on the historical context that influenced tax collection practices during specific periods.

To gain a comprehensive understanding of the challenges faced by the Chinese state in tax collection, Sng's article [6] on the principal-agent problem in late imperial China provides valuable insights. By examining the agency relationship between the state and local officials responsible for tax collection, Sng highlights the difficulties inherent in governance and revenue extraction during this period.

considering the global historical context of taxation. There are several works [7-9] provides a brief history of property tax, offering a comparative lens to understand the evolution and challenges of property taxation, which may have parallels in China's tax system.

There are lots of evidence that the inherent and income tax gradually became predominant in government revenue in the west [10], the comparison between the West and China can shed light on the factors that led to poor fiscal condition in the end of the dynasty, potentially offering insights into the emergence of income-related taxation in China.

3. Taxation in ancient China and the west

3.1. The origin of the taxation in late imperial China

3.1.1 Pre-imperial times

The most predominant types of tax in imperial China were land tax and poll tax. the foundation of the tax was derived from the West Zhou dynasty and matured in the following multi-horse race period, the East Zhou, which is also called the Spring and Autumn Period(507-444 BC).with the invention of metallurgy, iron farming tools, and cattle plowing was applicated in the agricultural production, This makes a family-by-unit household operation the main form of production and shows high economic efficiency [1], thus the tax and government revenue system reformed profoundly, the three categories of taxes formed. including Shui, which means land tax; Fu, which means poll tax; Yi, which means military service and labor service. It needs to be noted that the benchmark of tax collection is more important to people than land.

3.1.2 Early-imperial and mid-imperial times

The tax system was inherited and matured in the early imperial dynasty of Qin and Han. And the following divided period of Wei, Jin dynasty witnessed the development of the Equal Field System which was formally established during the Northern Wei Dynasty, and its tax ideology is rooted in the "Mencius", which was based on the principle that most lands were owned by the government, which then allocated it to individual families. All individuals, including slaves, were entitled to a certain amount of land, the amount depending on their ability to provide labor. For example, able-bodied men received 40 mu (2.7 acres) of land, women received less and more land was granted per ox owned by the family. When they died, the land reverted to the state for redistribution, but provisions were made for the inheritance of land that required long-term development, such as farms for mulberry trees to feed silkworms.

In the high-tang Dynasty, economic achievements are extremely prominent, during the reign of Zhenguan(AD627-AD649), the population was fewer than three million households, but in the thirteen years of the reign of Tianbao(AD754), the population was more than 9,619,000 households[2], Tang Emperor Taizong summed up the way that made Tang prosper: abandonment of the extravagant expenses, light levies, and thin labor service, the selection of honest officials so that the people have more than enough to feed and clothe.

In addition to the political stability, the rulers did not indulge in the absurd, the politics was clear, and the levies were light, it was also related to the creation of the excellent Zu Yong Diao taxation system. In the Tang Dynasty, the land was granted on a per capita basis, with one hectare of land

granted to anyone over 18 years of age, while other industrial and commercial workers, religious figures, and government officials were all granted different standards of land. On this basis, the government collected taxes according to the land allocated to each person. Each person paid two “Shi” of corn per year, which was called “Zu”; and had to pay two silks, and three cotton, which was called “Diao”; and had to participate in manual labor for 20 days per year, which was called “Yong”. These three tax systems are collectively known as rent and mediocrity the land tax, poll tax, and labor are all according to the number of people levied. Including the pre-Tang working people who need to pay all the taxes. Although this system was still based on the number of people, the tax system was strict, and the distribution was relatively fair. It could be regarded as the highest form of the ancient manpower tax [2].

Nevertheless, After A Lushan's rebellion destroyed the High-tang dynasty, the system eventually began to fail as the central government began to lose centralized control of its territory. Although all land theoretically belonged to the imperial government, noble families were able to legally acquire land and establish their domains. Buddhist monasteries also began to control large tracts of farmland. In times of natural disasters and conflict, peasants often entered the landowning families as sharecroppers or servants to ensure their safety.

Due to the decline of the equal field system during the mid-tang period, the early Tang dynasty's Zu Yong Diao Law was no longer applicable. As a result, the tax collection system underwent significant changes in the late Tang dynasty. The focus shifted, with land becoming the primary benchmark for tax assessment.

One notable system that emerged during this period was the Two-Tax Law, which was introduced by Chancellor Yang Yan during the reign of Emperor Dezong in 780 of the Tang Dynasty. The Two-Tax Law operated under the Tax Collection Law, which involved the collection of monetary payments and occurred twice a year, specifically during autumn and summer. This system became widely recognized as the Two Taxes Law.

The Two-Tax Law persisted until the Ming dynasty in 1581 when Zhang Juzheng implemented the Single Whip Law, a unified taxation system implemented throughout the country. This shift marked a significant change in tax policies and administration. The Single Whip Law superseded the Two-Tax Law, bringing about a new era in tax collection methodologies.

3.2. system of land tax and poll tax in late imperial China

Late-imperial China generally included Ming and Qing dynasties, while China sustained vast and centralized, and Western Europe began to rise. A comparison will be implied between late-imperial China and Western Europe to disclose distinct tax systems, which reflected the macro society and political issues.

3.2.1 basic tax system and tax reform in Ming dynasty

The Ming Dynasty was a regime founded by peasant rise leader Zhu Yuanzhang, he established his capital in Nanjing, a densely populated city in the low reach of the Yangtze River, instead of Xian or Beijing in the north, In that time, the southern Yangtze river was the richest area in China, which provides a third percent of the tax [9].

Ming hold a strong military force defending the northern boundaries, and the system of Jiubian or Nine Garrisons had successfully contained the nomadic invasions, meanwhile, population generated rapidly after the decline because of wars in the late Yuan dynasty, the aspect of commercial, the trade between Japan and Southeast Asia was prosperous, and these factors led to a relatively light financial burden at that time, the Ming inherited the two tax laws in the late Tang Dynasty in the early period and mid-period, according to the code framed by Zhu Yuanzhang, the collection of tax should live by the Huang ce or the yellow registers, which recorded the population and land acre, and the land tax (Fu) was based on the land acre, Same as the Late Tang, summer and autumn grain was collected twice a year, the detailed regulation of the land tax system was complicated, the fields were divided into government fields and civil fields, with different tax standards, the government fields were

generally taxed five liters per mu, and the civil fields would be reduced by two liters on top of that, the name tax rate was 10 percent.

labor service (Yi) was based on the population. In the Ming Dynasty, there were three main types of service, namely, the Lijia, the Uniformed Corvée, and the Miscellaneous Pans.

The Ming History - Food and Goods Zhi has a detailed record: "The book has a Ding and a field, the Ding has a service, and the field has a rent." For taxes and levies, are based on the yellow register, "service is said to be Lijia, is said to be uniform Corvée, is said to be miscellaneous Corvée." [11]

Li Jia was a creative system invented by the Ming Dynasty, for one hundred and ten households for a Li, managed by the chief of Li who elected among the population of ten households in rotation, to every ten Li for a Jia, the chief of Jia will be rotated once every ten years, and then transmitted according to the actual situation, the increase or decrease of the population and the fields and re-arrangement. The content of the service was mainly to supervise the collection of taxes and to support the local government in organizing various public activities, such as construction, banquets, and festivals. the Li Jia system was not only established to collect labor services but also to administrate and defend the Primary-level governance

The uniformed corvée was a regular labor service distributed according to the amount of grain. In the early Ming Dynasty, the uniformed corvée was relatively simple and low. However, with the development of society, many local prefectural included increasing items in the uniformed corvée, and by the Jiajing period, almost all the various services that households had to bear were included in the uniformed corvée, those that couldn't be replaced by money were called "Li Yi", including the horseman, the boatman, the pavilion man, the grain chief, the bowman, and so on, The other occupations, such as firewood, drinking, sacrifice and schooling, could be replaced by silver, which was called "Yin Chai". In addition, the regulations for the uniformed corvée varied from region to region, and the Ming government did not make uniform regulations for the uniformed corvée; the Yin Chai of one place could be changed to Li Yi in another place.

In addition to the above servitude other types of servitude is the general name of miscellaneous corvée, its essence is the official government needs all kinds of temporary servitude, the official government through the establishment of miscellaneous servitude to take possession of the labor force of the people's households, the main contents include: First, the Ming Dynasty national infrastructure servitude, such as the construction of the city wall, the construction of the canal, the imperial palace and so on; second is the construction projects required by the local government, such as the repair of the Yamen, the transportation of materials and so on; The third is the infrastructure construction of each place, such as the construction of water conservancy facilities, temples, bridges and so on.

The author argues that Ming had inherited the tax collection system formed in the Late Tang dynasty, which leans toward the poll tax, most of the tax levied in kind. And the labor service is still a process of great importance in government revenues.

However, the pressure from the north boundary and the southeast coast deteriorated the financial burden of the Ming, and corruption induced by the privileged class also drove inequality. The late Ming dynasty was facing a crisis both exterior and domestic.

3.2.2 crisis and reform in the late Ming Dynasty

The crisis can mainly be blamed on the coast lockdown caused by the Japanese pirates and the northern invasion due to "the Maunder minimum", which also induced a decline in land yield in northern China [5]. Government expenditure for military affairs sharply increased while the revenue from the land tax decreased due to climate change. Also, the collection system was corrupted with the Yellow register distorted by the privileged class who expected to evade land tax and labor service.

Under that circumstance, the leader of the bureaucrat, Zhang Juzheng impulsed a reformation towards taxation.

This reform was called the single whip Law, the main content of the first is the merger of the distribution and collection, the various kinds of labor services combined and distributed in the field, the collection of the people's land and property and labor conditions, the land of the summer and autumn taxes collected together. Secondly, it was paid in silver, all taxes were levied in money, except

for the tributes for the royalty. Thirdly, the government collects the tax, the central government changed the original method of collecting the tax by setting up the chief of grain and the chief of the village, all the tax was collected and transported by the government, which avoided the local embezzlement of the tax and improved the efficiency of collecting the tax. We can see the collection condition after reform in **Table1**, which shows higher percentage in land levy. The author argues that starting from the law of single whip, the tax system shifted to the monetary collection.

Table 1. Service levy collection in Zhang-zhou prefecture, Fujian, 1572[12]

Service levy	Collected from poll		Collected from land		Total collection
account	(tls.)	%	(tls.)	%	(tls.)
Li-chia	3,004	43.4	3,910	56.6	6,914
The uniformed corvée	11,786	53.5	10,255	46.5	22,041
I-chuan (miscellaneous corvée)	0	0	15,955	100	15,955
Min-chuang (miscellaneous corvée)	14,335	53.5	12,384	46.5	26,719
Total	29,125	40.6	42,504	59.4	71,629

However, the fiscal condition continued to worsen, and the reformation partly abolished after Zhang Juzheng's death. The authority decided to raise tax rates and levy new taxes, which became an incident towards frequent peasant rises in the late Ming. those rebellions eventually destroyed the Ming dynasty [11]

3.2.3 Taxation in the Qing Dynasty

The Qing Dynasty was founded by Manchurians, they learned the lesson that the high tax rates in the late Ming induced various peasant rises. the Kangxi Emperor (1661-1722) formulated a relatively low tax rate when the dynasty was solidly established, in 1712, the emperor issued the famous edict, "The number of adults will never be increased"[13], which made the number of poll tax fixed, so that the newly increased population did not have to bear the poll tax again and the country began to rise rapidly. his successor Yongzheng Emperor pushed a tax reform imitating single whip law, despite being much more thorough, He formally abolished the poll tax, the number of poll tax already fixed at the end of the Kangxi period apportioned into the field levy so that those who do not have property didn't have to pay tax levies.

However, the dynasty still faced a crisis even before the Western country broke in, the rebellion of the white lotus rose and deeply harmed the finances of governments, not to say the invasion of Western countries changed the country entirely.

3.3. Western countries

Taxation systems in Europe differed significantly from those of the Ming dynasty. In England, the primary form of land tax was referred to as "the fifteenth and the tenth." [10] During the 14th century, the clergy and nobles were subject to a tax rate two-thirds lower than that imposed on other citizens. This particular tax, the "fifteenth and the tenth," specifically targeted real estate. Urban properties were assessed at a rate of one-tenth, while all other types of real estate were assessed at a rate of one-fifteenth.

Over time, this tax approach underwent some modifications. The fifteenth tax rate came to be applied to land and land rents, while the tenth-rate was applied to personal property, also known as "movables." The discrepancy in tax rates reflected the political influence wielded by the landed gentry, who held significant sway in Parliament compared to the tradesmen and craftsmen residing in towns and villages. Furthermore, the differing rates addressed a practical concern for tax collectors: while "movables" could be concealed or kept out of sight, real estate remained visible, resulting in a more accurate tax assessment.

After the 14th century, Western Europe witnessed significant developments in taxation systems, with the emergence of various forms of taxes that played crucial roles in financing state activities. Among these were consumption taxes and heritage taxes. These forms of taxation reflected the changing economic landscape, societal structures, and fiscal needs of European states during this period[7].

3.3.1 consumption taxes

During the period known as the Dark Ages in England, the utilization of customs and tariffs was not widespread due to limited trade with the Continent. However, as commerce over Mediterranean Sea expanded and authorized kingdoms rose in the 13th century, the necessity for revenue to fund the Crusades gave rise to the development of these taxes.

John, King of England (1166–1216) introduced the concept of "customs," which involved levying a fifteenth of the value of goods on merchants engaged in shipping. The proceeds from this tax were utilized to establish a naval force to safeguard maritime trade. In 1266, the customs rate was increased to one-tenth. Over the subsequent centuries, customs and duties emerged as significant sources of revenue for the English monarchy. Similar taxation methods were also adopted by other countries such as Holland.

In Colonial America, the British imposed substantial customs and duties on imported goods from other nations to promote direct trade with England and discourage imports while encouraging domestic consumption. However, the taxes eventually induced the American Revolution [7].

Excise taxes, which were imposed on specific goods considered luxuries or "bads", have a long historical background. They were implemented to raise the prices of such products and reduce demand. Examples of goods subjected to excise taxes include alcohol, gambling, firearms, ammunition, tobacco, and various forms of entertainment.

3.3.2 Heritage taxes

During the Renaissance period, a form of taxation known as inheritance or estate taxes gained prominence. Italian city-states were among the first to introduce these taxes, which were levied at flat rates ranging from 2% to 5% of the value of the inherited property [8]. However, certain exceptions were made for direct descendants, small bequests, and charitable contributions.

In the late 16th and early 17th centuries, the Dutch states implemented inheritance taxes as a means to finance their war efforts against Spain. Tax rates varied between 2.5% and 6% across different states. Similarly, German states imposed a 5% inheritance tax to fund their defense against the Ottoman Empire. Although originally justified as a measure to safeguard estates, this tax continued even after the threat from the Ottoman Empire subsided.

In other European countries like France, Spain, and Portugal, inheritance taxes initially took the form of registration fees for property transfers. France introduced this tax in 1539, while Spain and Portugal adopted it at later dates. The inheritance tax endured until the era of Napoleon and was extended to their colonies in the Western Hemisphere.

3.4. principle-agent problem in imperial China

Why was the large, centralized, and durable China broken in when the opportunity of the Industrial Revolution and globalization came? Some scholars argued that The China imperial ruled a vast territory, which concluded the majority of the monsoon climate area in the mainland, people unified to defend their properties from the northern nomads living in the ecologically fragile steppes[14],

the core area of the country was a vast, fertilized plain, thus the country formed great fortune, but it induced hazard, since China stayed in the structure of traditional society, the undeveloped transport system will impede the central administration towards prefecture. Thus, the area remote from the capital will actually possess more independence in fiscal and military power. Thus, the relationship between the emperor and the prefectures was a form of principal-agent problem.

The principal-agent problem refers to the conflict of interest that arises when a principal delegates authority to an agent, such as the ruler or government officials, to act on their behalf. In an ideal scenario, the agent would faithfully carry out the wishes and best interests of the principal. However, when there is a lack of transparency, accountability, or effective oversight, the agent may abuse their position for personal gain, leading to corruption. Although the emperor is outwardly a dictator with an undisputed claim to the state's tax revenues, in practice the surplus of the economy is shared between him and the agent. When the principal-agent problem is severe, it often leads to high levels of corruption within a system [15]. In such cases, the ruler or governing authority is compelled to maintain low tax rates in order to prevent widespread discontent and potential uprisings [6].

This theory explained the phenomenon of low tax rates in imperial China, most dynasties followed the tax rates of one-tenth in *ding* tax, which was perfect with the thought of Mencius, the high-Qing dynasties had an even lower name rate. Its annual tax revenue between 1650 and 1850 averaged about four billion liters of rice in real terms. This is less than 4% of China's hypothetical output in 1800, if we take the basic standard of living to be an annual consumption of 3.33 Shi (166.6kg) of grain per capita and assume that the entire population lived at this level[12]. But they never became the Utopia of Mencius' benevolent rule. The severe principal-agent problem induced universal corruption in the prefectures, which can be reflected by the measures of preventing extra fees in tax reform of Zhang Juzheng and Emperor Yong Zheng.

The principal-agent problem also interprets the fiscal problem that appeared in the late period of each dynasty, in which classical historians usually blamed the corruption of the emperor's moral vigor [3]. Sng points out that if the principal-agent problem is severe, economic expansion will initially increase tax revenues but eventually depress them. The fiscal condition of the late Ming and Qing after the White Lotus Rebellion depicts it; the rebellion and fiscal deficits actually occurred when the commercial economy was flourishing.

4. Conclusion

In conclusion, compared to Western Europe, taxation in imperial China was original, the structure of three taxes was stable, and the levy was inefficient, The country maintained its structure of traditional society, which led to a phenomenon that the large size of the country Exacerbated the fiscal condition of the central government, corruptions aggravated as the prefecture situated far from the capital which is usually located near the north frontier, that makes the south boundary harder to approach, although China had formed a sophisticated bureaucrat system, it cannot prevent the rebellions in the remote prefectures, suppression can be a vast expenditure to fiscal and the corruption would make it worse. The structure of imperial China cannot resist the transition in the economy and society, decentralization can be a myopia approach, as the Qing dynasty successfully suppressed the Tai Ping Tian Guo rise but buried hidden danger of independence tendencies in southern provinces. Thus, the Qing Dynasty fell into a crisis even without the threat of the rising West. With the collapse of authority, the empire lost its ability to make structural reform to face the threat of Western Europe and Japan, and the drive for great reform was losing support.

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