

The Logic of Failed Institutional Reform: Path Dependence in the Evolution of the Nine-Rank System and Contemporary Implications

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Abstract. The recommendation system of the Eastern Han Dynasty failed due to corruption and manipulation by aristocratic families. The Cao Wei regime introduced the Nine-Rank System, aiming to achieve fairness in talent selection through centrally appointed officials, but it ultimately became a tool for powerful clans. Using the framework of path dependence theory in institutional change and historical institutional analysis, this paper reveals the logic behind the failure of institutional reform. The study finds that the Nine-Rank System, after a brief period of success, quickly fell into irreversible failure under the mechanisms of "design compromise, path dependence, and institutional lock-in." The research demonstrates that partial reforms avoiding the restructuring of core interests will eventually be co-opted by vested interest groups. Modern institutional reforms must prioritize the restructuring of core interests as a central strategy.

Keywords: Institutional Reform; Nine-Rank System; Path Dependence; Institutional Lock-in.

1. Introduction

In 220 AD, the Cao Wei regime implemented the Nine-Rank System to address the flaws of the recommendation system, but it inadvertently led to the monopolization of power by powerful clans, creating a situation where "the upper ranks had no commoners, and the lower ranks had no elites." This paradox of "reform leading to deterioration" frequently appears in contemporary institutional changes, where partial reforms often fall into the trap of "the more reforms, the more rigid the system." This paper raises the question: What is the logic behind the failure of institutional reform when it encounters vested interest groups?

2. Theoretical Framework: Design Compromise, Path Dependence and Institutional Lock-In

2.1 Core Mechanisms

North (1994) argues that institutional change exhibits characteristics of increasing returns and self-reinforcement. Once an institutional change follows a certain path, its direction becomes self-reinforcing over time. Depending on the initial path, institutional change may either enter a virtuous cycle of rapid optimization or continue down a path of decline. The initial path selection determines the subsequent development direction, and vested interest groups, by controlling resource allocation, create a "lock-in effect," allowing inefficient institutions to persist.

2.2 Core Concepts

Reformative Institutional Change: Unlike revolutionary change, reformative institutional change retains the core of the old system while adjusting its non-core aspects. For example, the Nine-Rank System did not abolish the core of the recommendation system (evaluating talent based on reputation) but introduced new rules to centralize the power of talent recommendation in the hands of centrally appointed officials, aiming to enhance central control, break local monopolies, and increase fairness and transparency in talent selection.

Reform Path Dependence Trap: This refers to the process by which vested interest groups under the old system incorporate reform rules into the existing framework, reinforcing the original path until institutional lock-in occurs. For instance, the Nine-Rank System established new rules for central control over talent selection, but the officials were initially appointed from aristocratic families, creating a closed loop where "aristocratic families control officials → their descendants receive high ranks → monopolize bureaucratic positions → further control official appointments", transforming the system into a hereditary privilege for aristocratic families. As a result, aristocratic families transformed into powerful clans.

2.3 Analytical Model Construction

Based on path dependence theory and the characteristics of reformative institutional change, this paper proposes a three-level model for the failure mechanism of reformative institutional change:

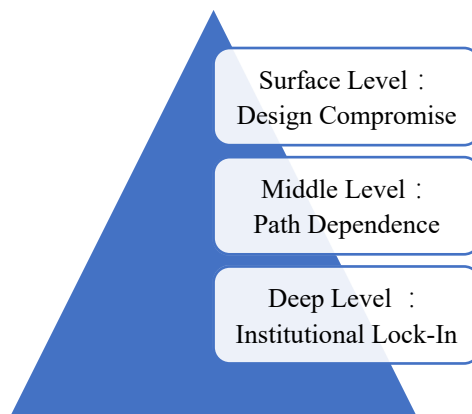


Figure 1. Three-Level Model of Reformative Institutional Change Failure Mechanism

Design Compromise: Institutional reform cannot achieve forced change by overthrowing the old system. If the reform design avoids addressing core conflicts between old and new systems, it must compromise with vested interest groups.

Path Dependence: If institutional reform does not touch the core interests of the old system, the path dependence of the old system cannot be naturally eliminated. Vested interest groups, with their advantageous position, are more likely to benefit from the compromised reform design, leading to self-reinforcement and further path dependence.

Institutional Lock-In: If the reform provides greater benefits to vested interest groups, they will seek to institutionalize these benefits, rationalizing path dependence and locking in the reformed system.

3. The Logic of the Nine-Rank System's Failure

3.1 Design Compromise: The Inherent Flaws of the Nine-Rank System

Under the Han Dynasty's recommendation system, aristocratic families gained significant political and economic benefits by controlling recommendations for positions such as "virtuous and upright," "filial and incorrupt," and "outstanding talents". The Nine-Rank System aimed to replace local aristocratic recommendations with centrally appointed officials but retained the core of the recommendation system (evaluating talent based on reputation), laying the groundwork for path dependence.

To gain support from aristocratic families, the Nine-Rank System did not abolish their control over reputation evaluations. From the outset, aristocratic families were appointed as officials, with the main difference being the centralization of recommendation power from local aristocratic families to centrally appointed ones. The *Wenxian Tongkao: Imperial Civil Examinations* notes that "large and

small officials were appointed in prefectures, counties, and districts, selected from local elites with virtue and talent, to classify individuals into nine ranks."

The original intention of the Nine-Rank System was to leverage local evaluations to address the realities of population mobility during the Three Kingdoms period and eliminate corruption and local aristocratic manipulation. However, the system merely shifted local recommendations to centrally appointed officials, with the power to determine ranks still lying with aristocratic officials. The *Book of Jin: Biography of Liu Yi* notes that "current officials do not focus on talent but on factional interests," leading to a return to aristocratic favoritism.

3.2 Path Dependence: The Internal Cycle of Power Among Aristocratic Families

In its early stages, the Nine-Rank System restored a degree of fairness in local talent recommendations by transferring the power of recommendation from local aristocratic families. As recorded in the *Book of Jin: Biography of Wei Guan*, "At its inception, local evaluations were impartial, not constrained by rank, and the praise or criticism served as motivation, preserving the spirit of local discourse." This shows that the Nine-Rank System initially achieved some positive outcomes.

However, the *Book of Jin: Biography of Wei Guan* also notes, "Over time, the system became corrupted, and ranks were determined by wealth and status. People began to value position over virtue, neglecting moral and scholarly pursuits, and competing over trivial gains." Aristocratic families, leveraging their political, economic resources, and social networks, quickly integrated with the Nine-Rank System, monopolizing the power of talent selection. This led to the establishment of a monopolistic situation where "the upper ranks had no commoners, and the lower ranks had no elites."

The *New Book of Tang: Confucian Scholars* records, "The chief officials and clerks in prefectures and counties were all selected from prominent aristocratic families to determine lineage and evaluate individuals... At that time, the selection process relied on genealogical records to verify authenticity." The Nine-Rank System formed a closed loop: "aristocratic families controlled the officials → their descendants received high ranks → monopolized bureaucratic positions → further controlled the appointment of officials". In this cycle, aristocratic families transformed into powerful clans.

These powerful clans not only achieved internal cycles of political power but also strengthened their internal power circulation through an interactive loop of "political advantage bringing economic advantage → economic advantage bringing political advantage → greater political advantage bringing greater economic advantage", as well as through social networks formed by marriages and mentorship.

3.3 Institutional Lock-In: The Rationalization of High Ranks for Aristocratic Descendants

Under the Nine-Rank System, talent ranks were primarily determined by family background, leading to the decline of public and private education. The *History of Southern Dynasties: Biographies of Confucian Scholars* notes that "state schools were occasionally established but lacked rigorous instruction, lasting less than a decade. Local schools were rare, and public officials seldom mastered classical studies." In contrast, powerful clan education flourished, creating a cultural superiority that marginalized commoners and lower-ranking elites. High ranks for aristocratic descendants became socially accepted, and it was only during periods of turmoil that commoners like Tao Kan could rise to prominence.

3.4 Summary of the Nine-Rank System's Failure

The Nine-Rank System achieved only brief success. Aristocratic families, leveraging their political, economic, and social advantages, quickly integrated with the system. Under the mechanisms of design compromise, path dependence, and institutional lock-in, the system fell into irreversible failure.

4. Contemporary Reflections: Modern Examples of Reformative Institutional Change Failure

In contemporary China, some state-owned enterprises (SOEs) have introduced modern corporate governance structures but retain old administrative systems and interest distribution patterns. Despite having modern organizational structures, decision-making remains driven by administrative commands, exemplifying the failure of reformative institutional change.

4.1 Design Compromise: The Formalization of Modern Corporate Systems

The goal of SOE reform is to break administrative interference by introducing modern governance structures like boards of directors, supervisory boards, and professional managers. However, power structures remain unchanged, with state-owned asset commissions directly appointing executives, and interest distribution still follows old rules, failing to establish market-oriented mechanisms.

4.2 Path Dependence: The Self-Reinforcement of Administrative Commands

Administrative commands are reinforced through personnel and resource cycles:

Personnel Cycle: Managers trained within the original administrative system occupy decision-making positions → They tend to adopt familiar administrative command models → External market-oriented talent is excluded from core positions → The status of the administrative system is further strengthened.

Resource Cycle: Enterprise revenue relies on government orders (e.g., infrastructure projects, government procurement) → To maintain these orders, enterprises comply with administrative commands → Non-market-oriented operational logic becomes further entrenched.

4.3 Institutional Lock-In: The Rationalization of Administrative Intervention

Society equates "SOEs fulfilling social responsibilities" with "accepting administrative intervention," legitimizing a "semi-administrative-semi-market" model. Public perception that "SOEs must follow state directives" and "state control ensures stability" rationalizes administrative intervention.

5. Breaking the Cycle: Dual Strategies for Core Interest Restructuring

5.1 Historical Lessons: The Breakthrough of the Imperial Examination System

Institutional reforms that avoid restructuring core interests will be co-opted by vested interest groups, leading to failure. The Nine-Rank System failed because it avoided addressing aristocratic privileges. The Imperial Examination System, by replacing evaluations with examinations and anonymizing candidates, broke the closed loop of talent selection, allowing commoners to rise through the ranks.

The restructuring of core interests is the key to overcome the reform path dependence trap.

5.2 Strategic Choices: Dual Strategies for Core Interest Restructuring

To overcome design compromise, path dependence, and institutional lock-in, institutional reforms must restructure core interests. Two strategies are proposed:

Separation Strategy: Establish reform institutions independent of existing interest structures, separating vested interest groups from core interests. Examples include Hong Kong's Independent Commission Against Corruption and Singapore's Temasek Holdings. Risks include potential backlash from vested interest groups.

Suppression Strategy: Forcefully suppress vested interest groups' influence through legislation or regulations. Examples include Song Dynasty prohibitions on aristocratic families participating in ultimate examinations. Risks include the need for strong political authority.

6. Conclusion

Institutional reforms that avoid restructuring core interests are doomed to fail. The failure of the Nine-Rank System demonstrates that reforms avoiding core interest restructuring will be co-opted by vested interest groups. Contemporary reforms must guard against "pseudo-innovations" that avoid core issues.

Restructuring core interests is the key to breaking free from the path dependence trap. To escape the path dependence trap, reformative institutional change must restructure core interests. The dual strategies of separation and suppression offer viable pathways.

The three-level model of "design compromise, path dependence, and institutional lock-in" provides a theoretical framework for analyzing institutional reform failures in other fields, such as healthcare and education.

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