

The Gavin C. Reid Prize for the Best Paper for a CBR Early Career Researcher, 2023

Thanks to a generous donation, the CBR has established the Gavin C. Reid Prize for the Best Paper by a CBR Early Career Researcher. The prize is named in honour of Professor Gavin C. Reid, a long-time supporter of the Centre and currently one of its Senior Research Associates. The £400 cash prize, to be awarded annually, is open to early career research staff and research associates of the Centre for Business Research.



Gavin C. Reid, Honorary Professor in Economics & Finance, University of St Andrews, and Senior Research Associate, CBR, Cambridge University

The 2023 Prize is jointly awarded to Gaofeng Meng, for his paper (co-authored with Simon Deakin), 'Resolving Douglass C. North's "puzzle" concerning China's Household Responsibility System', published in the *Journal of Institutional Economics* (<https://www.cambridge.org/core/services/aop-cambridge-core/content/view/7627E68395A4A2FC24566233F08F287C/S1744137421000746a.pdf/resolving-douglass-c-norths-puzzle-concerning-chinas-household-responsibility-system.pdf>), and Antonis Ragkousis, for his paper 'Amartya Sen as a neoclassical economist' https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4304350, forthcoming in the *Journal of Economic Issues*.

Gavin writes:

It is my pleasure and privilege to witness these two papers being awarded the prize in my name, for the year of 2023. Not surprisingly, given their high quality, they already have been accepted in top class research publishing outlets. This reflects positively on the nurturing, and diverse, research milieu in the Centre for Business Research, which has been cultivated so fastidiously by its Director Professor Simon Deakin and his team.

Gaofeng Meng, for his paper (jointly with Simon Deakin) on property rights in China

To some, including many academics, the Peoples Republic of China, established in 1949 (hereafter simply 'China'), the focus of this second prize essay, is a 'closed book'. This is not true in the Cambridge Judge Business School, nor in its relatively recently launched (2018) Cambridge Centre for Chinese Management (CCCM), and certainly not true in its long-standing Centre for Business Research which – from its early roots in 1994 - recognised the challenging research opportunity this emerging economic powerhouse offered. In this context, the CBR's approach encouraged diverse, creative forms of theorising, which could be tested or confronted by evidence, in both qualitative and quantitative

ways. This research stream was heralded by the likes of Peter Nolan's case study of the Coca Cola plant in Tianjin in 1995; and was progressed in 2004, by the likes of Yang Qing Gong's research on the remarkable productivity growth in China, which from 1978 benefitted from its new 'social market economy' form.

Further CBR research themes on China followed, including the work of Alex Izurieta and Ajit Singh (2008) on fast growth, Enying Zheng and Simon Deakin (2016) on labour capacity and knowledge production, and Boya Wang (2016) on the determinants of company values. A significant research breakthrough, in grounded knowledge and understanding, was the CBR's large qualitative fieldwork investigation in China during 2016. This underpinned the following findings by Ding Chen, Simon Deakin, Mathias Siems and Boya Wang, namely that: 'China's experience does not suggest that the law is irrelevant or unrelated to growth, but [rather] that legal and economic institutions coevolve in the transition from central planning to a market economy'.

Adding to that formidable hinterland of authority on China, we now have this inspired prize-winning paper by Gaofeng Meng and Simon Deakin, on property rights in China. This research follows the intellectual leadership of the late Regius Professor of Civil Law, in Oxford University, Tony Honoré, on *ownership*; and of the late Elinor Ostrom (Nobel Prize in Economics, 2009) of Indiana University, on *resource and governance* theories (and the testing thereof).

The joint intellectual journey of Meng and Deakin's paper is exhilarating. This is heightened by the way in which it 'takes to task' the works and words of Douglass North (Nobel Prize in Economics, 1993). North was puzzled by how a country like China, with no recognizable property rights in a Western sense, could have grown so fast in the 1990s and 2000s. As Meng and Deakin remind us in this prize essay, these spectacular growth rates were achieved in China by a new (to the West) property design, namely the household responsibility system (HRS). In this new design there may be many, and diverse, owners (e.g., peasant houses, collective entities etc) or even no owners at all.

This new system provided no simple answers to North's key question 'who owns the land'? Instead, as this prize essay shows, a more complex (and helpful) answer embraces what Elinor Ostrom (Nobel Prize in Economics, 2009) called a 'common-pool resource'. This kind of resource is collectively managed according to diverse forms of agreements and understandings (some with legal force, others not). All of this constitutes a governance system, which Ostrom dubbed 'polycentric'. Though hard to characterise precisely, it has proved to be a highly effective form of governance, in practice, as this prize essay affirms. Its adoption took the living standards of hundreds of millions of Chinese citizens out of poverty, within two decades of its earlier implementation in 1978. In doing so, it also improved their access to education, health, transport, and other forms of services, public and/or private.

This prize essay shows, in analytical detail, how Honoré's analysis of ownership is comfortably extended from 'pure' private ownership to ownership by juridical persons and collective entities. As regards the development of North's own thinking, it shows how the new evidence before his eyes allowed him to say, by 2005, that 'starting with the Household Responsibility System [China] developed an incentive structure which managed to produce rapid economic development without any of the standard recipes of the West'.

Meng and Deakin's prize essay ends by commending an integration of key aspects of the analyses of both North and Ostrom. This entails creating an evolving property rights framework which allows diversity of rights in practice, and flexibility in what they might embrace or exclude. This should enable a reconciliation of elements of private ownership with elements of collective management, in a variety of ways, which can be tailored to the needs and aspirations of specific regimes.

Antonis Ragkousis, for his paper on Amartya Sen (Nobel Prize in Economics, 1998) as a neoclassical economist

This paper triggered two vivid memories. One, was working with the colourful Vivian Walsh (who is frequently referenced in this paper) while I was on the Economics Faculty at Denver University, where I took over teaching his graduate module on classical economic theory. The other, was attending inspiring methodology seminars run by Tony Lawson (also referenced frequently in this paper) in the Faculty of Economics and Politics in Cambridge, while I held a visiting scholarship in Darwin College. This was all about forty years ago, in the 1980s, but what Ragkousis has done is to inject into his writings on Amartya Sen the same brio and intellectual self-confidence as was characteristic of that glorious era of economic research, in which Sen himself, author of *Poverty and Famines* (1981), was perhaps its brightest star.

Ragkousis' long, beautifully balanced analysis, of what makes Sen such an important figure in the development of modern economic, is a masterly handling of diverse, complex literatures. It is also unflinching in its insistence that Sen had an ontological stance which frequently was inconsistent. Yet it does not diminish Sen's stature, nor fail to recognize - and indeed to admire - his intellectual brilliance. What it does do, methodologically, is to lead us to an understanding of why there is sometimes an equivocal reception to Sen's works, within the academy of economists. Even now, it is right that we should recognize, and still 'feed on' intellectually, the works of Smith and Marx: and of Veblen; of Sraffa and Dobb; and indeed, of Pasinetti, Walsh, and Lawson. Today that allows contemporaries like Nuno Martins, and now Antonis Ragkousis too, to investigate forensically the basis of our own, often unconscious, methodological biases and defaults in executing economic research.

As a final note, inspired by this fine paper, in the year we celebrate 300 years since the birth of Adam Smith of Kirkcaldy, author of the foundational work in economics, *The Wealth of Nations* (1776), it is good to see Ragkousis referencing Smith's conception of the 'impartial spectator', of his *Theory of Moral Sentiments*, as a moderating humanitarian force to the apparently soulless market sentiment of the 'invisible hand'. That such foundations still inspire contemporary rigorous analysis of business, economics, law, and society today, as in Ragkousis' work, is fitting testament to the solidity of the foundations of political economy.



Gaofeng Meng, Research Associate, CBR, and Lecturer in Law, SOAS, University of London

Gaofeng writes:

I am more than pleased to have been awarded the Gavin C. Reid prize. I am extremely grateful to all who make this prize possible. Firstly, I thank Professor Reid for his kindness, generosity, and thoughtful recognition. The appreciation received from Professor Reid for my research gives me huge encouragement and a much-needed uplift. Second, I thank Professor Simon Deakin, not only for his

Directorship of the Centre for Business Research and all the support it brings, but also for collaborating with me in our research on property rights theories, exploring the New Institutional Economists Douglass C. North and Elinor Ostrom. This is the focus of the prize-winning paper.

We started this paper before the outbreak of the Covid-19 pandemic. We had a lot of conversations on the work of North and Ostrom as part of our research on the theory and practice of governance in the context of the Covid-19 pandemic. The result is this paper, which was published in the prestigious *Journal of Institutional Economics* (JOIE), after our article on Covid-19, 'The Governance of Covid-19: Anthropogenic Risk, Evolutionary Learning, and the Future of the Social State', had appeared in the *Industrial Law Journal*. Once our JOIE paper had been accepted we were invited by Professor Geoffrey Hodgson, editor-in-chief of JOIE, to write a blog article entitled 'Beyond Private Property Versus Public Property' which was posted on the JOIE blog on 19 September 2022 by Professor Nikhilesh Sinha.

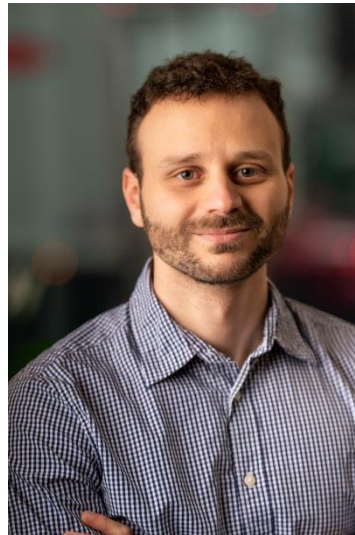
By way of a brief introduction to the paper, it may first be noted that North's theory of property rights is very influential. For example, according to North himself, Friedrich von Hayek, after reading North's co-authored book with Robert Thomas (1973), *The Rise of the Western World: A New Economic History*, which drew on Harold Demsetz's *Toward a Theory of Property Rights* (1967), lauded North's theme that because private property rights were well-defined and developed, they promoted economic growth. Here, North's type of property theory is always referenced as a justification for privatisation. This is a point of departure for our paper.

North's work generated much enthusiasm concerning the implications of new institutional economics for Chinese political economy. In 1995, when the University of Beijing formally opened a research centre in economics, North gave the opening address (<https://www.nobelprize.org/prizes/economic-sciences/1993/north/biographical/>). In this lecture and elsewhere, North shows his consistent and strong interest in China's contemporary rural land system—the Household Responsibility System (HRS). The HRS presents a serious challenge to North's theory. Property rights under the regime of the HRS are neither purely private nor purely public in nature. On the contrary, the HRS is a hybrid. According to North's theory, this kind of property rights regime should lead to poor economic growth. However, the HRS defies this convention. This is the puzzle which North observed and which our paper addresses.

The puzzle is one of considerable practical as well as theoretical importance. Many, like North, believe that while the HRS might work in practice, it should not work in theory. Thus the HRS does not offer a long-term alternative to neoliberal models of development based on clearly defined private property rights and free market exchange. We show that this is not true. Of course, the HRS is not a perfect institutional arrangement. At the same time, it can be explained theoretically. Although North's theory of property rights cannot explain the HRS, A. M. Honoré's concept of ownership and Elinor Ostrom's bundle of rights theory can very well account for it. The HRS does not follow the liberal idea of individualised and indivisible property, but represents instead a kind of 'split ownership', in Honoré's terms. Likewise, Ostrom's work shows that common property without the right of alienation can also be well-defined. The HRS is in fact a kind of common property in Ostrom's terminology.

Thus, we argue that when designing property rights regimes, we should go beyond the framework of private versus public property. Like Ostrom, we argue that there are no panaceas. At the same time, many of the lessons learned from the Chinese case are relevant to the wide diversity of property regimes that can be observed in modern societies. We have more choices than that between privatisation and nationalisation. We also argue that we need to abandon the idea of history as an orderly succession of social forms, to highlight the range of institutional possibilities open to societies, and to emphasise the importance of bottom-up, as well as top-down, experimentation.

The HRS reminds us of the complexities of social relations. It shows us that it is possible to construct different property arrangements for different resources: individual private property rights structures for some things might co-exist with hybrid property rights structures for others, and with common property and collective ownership of still others. This perspective can help us to expand our imaginative horizons and to articulate alternative visions which recognize the full diversity of possible institutional forms. In many contexts, property can be simultaneously private and public.



Antonis Ragkousis, Visiting Fellow, CBR, and Joan Robinson Fellow Elect, Girton College, University of Cambridge

Antonis writes:

In the fiercely competitive landscape of contemporary academia, the relentless pursuit of research-related accolades has become synonymous with the quest to carve a viable career path. These conditions can often divert researchers from the genuine objective of science: the uncompromising pursuit of truth. Oftentimes, the receipt of such awards signals that one's contributions align with the favoured methodological approaches, conceptual frameworks, or policy propositions of the awarding institutions. Serving as a recognition of excellence, these awards render the recipient attractive to employers who share similar presuppositions. This rather bleak depiction of the mechanisms underpinning certain aspects of academic life serves to emphasise the stark antithesis with the values fostered by the Centre for Business Research.

The ethos of the CBR is vividly illustrated by the genuinely interdisciplinary nature of the contributions awarded the Gavin C. Reid Prize since its inception, and by the plurality of research subjects pursued by authors affiliated with the Centre. It is in this regard that I feel deeply honoured to have been awarded the Gavin C. Reid Prize for my paper, and I am most grateful to the executive committee of the Centre. This paper is the offspring of a remarkably fruitful period during which I was hosted at the CBR as a visiting PhD Fellow. My deepest gratitude is due to Professor Simon Deakin for generously facilitating this opportunity, to the administrative staff at the Centre (Stephanie Saunders and Rachel Wagstaff in particular), and to my supervisors, Professor Stephen Pratten (also a research associate of the CBR) and Dr Yannick Slade-Caffarel from King's College London, for their invaluable support. I also benefited greatly from the weekly gatherings of the Cambridge Social Ontology Group.

My paper, rather provocatively, titled 'Amartya Sen as a Neoclassical Economist', encapsulates an apparent contradiction, as Sen is known for his criticisms towards some conceptions of 'neoclassical' economics. However, this seeming contradiction within the title is far from being eristic. Rather, it elucidates an inherent inconsistency in Sen's contributions. Sen's extensive use of formal methods is suggestive of an ontological tension, one identified by Thorstein Veblen when commenting on some of his contemporaries and originally introducing the term 'neoclassical'. Veblen argued that their work involved both an implicit recognition of a causal processual social ontology he associated with modern, thoroughly evolutionary, approaches and a commitment to a taxonomic conception of science – the latter relying on methods that presupposed an associationist ontology of event regularities. For Veblen, the adherence to taxonomic methods was the 'classical' feature of the work of the group, and the commitment to an evolutionary viewpoint was the 'neo' aspect. This paper argues that the same tension runs through Sen's contributions, rendering him 'neoclassical' in this specifically Veblenian sense.

The contribution of this paper extends beyond the history of economic thought, since its deployment of Veblen's conceptualisation of 'neoclassical' facilitates a more nuanced analysis of Sen's work and a more comprehensive comparison with the mainstream. It also unravels a crucial ontological tension characterising Sen's contributions. This tension enables his work to resonate with economists from opposing traditions, depending on their selective focus. Mainstream economists are inspired by Sen's deployment of ('classical') mathematical-deductivist methods, whereas heterodox economists follow Sen's ('evolutionary') contributions characterised by a causal processual ontology. Perhaps most crucially, this tension highlights the precariousness of considering Sen's work as an alternative to the mainstream, suggesting that a potential alternative should rely on methods founded on a robust social ontology. Given that Sen's influence extends far beyond the academia, the practical implications of these ontological tensions at the level of social policy are especially important. It is my intention to delve deeper into this during my upcoming research fellowship at Girton College, where I will serve as the Joan Robinson Research Fellow in Heterodox Economics.

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