

Appendix: Anecdotal Evidence on the *Absence* of Barriers to Inter-regional Trade

The counter-story to AY's silkworm cocoon war of 1986 in Zhejiang happens in late August 1994, at a heyday of protectionism in AY's accounts. The scene is a dirt road—officially classified as a major highway—connecting Gansu province and Sichuan province, approximately 500 kilometers South of Lanzhou, the capital of Gansu, and approximately 1000 kilometers North-West of Chengdu, the capital of Sichuan. Population density in this area is low, and the road, a bit further towards Chengdu, will lead through mountain ranges where peaks reach up to 6000m. I need a ride to the next settlement, about 100km away. Traffic is infrequent.

A police car comes into view, stops, and I am questioned. I hand out cigarettes, carried along for such occasions, and we wait. A big cloud of dust appears on the horizon. When it reaches us, one of the police officers stops the first of two brand-new, foreign-made trucks and asks the driver to give me a ride.

The two trucks are identical, each approximately 40 feet long, with a driver's cabin that includes a bed. Each truck is filled to the brim with red peppers. The driver explains he is shipping the red peppers from Gansu to the wholesale market in Chengdu. The drive takes two days. The road he is taking is the fastest one for him. He is driving this modern truck because he needs to be fast and the truck needs to be reliable. He is a private entrepreneur.

There are three possible interpretations of this traffic. One, there are barriers to inter-regional trade, but (some) private (and possibly non-private) entrepreneurs have systematically paid off local police along the highways and thereby undermined the barriers. The payments must be systematic, because when the police officer stopped the truck and talked to the driver, there was no apparent familiarity between the two, nor was there any other business except giving me a ride. The truck sped through a police check point further down the road, at what appeared the provincial boundary, without stopping.

In this scenario, with systematic payments, a plausible extension would be that local police along different highways compete for business (the map shows other highways of equal quality connecting the two provinces), which should then drive down rents. The outcome is one of free inter-regional trade with higher-than-normal transportation costs. These higher-than-normal transportation costs are not so exorbitantly high as to prevent trade. Furthermore, a few years earlier this kind of trade would not have happened because such trucks were unlikely to have been available in China, and private entrepreneurs were unlikely to have had access to the funds needed to finance such an undertaking. Carrying fresh red peppers via the state-owned distribution system, relying on rail transport (with trucking to railway stations and from railway stations, and railway lines stretching for possibly twice the length of the highway), would probably not have been feasible for perishable foods.

A second interpretation is that barriers to inter-regional trade may have been erected on the largest highways and in the more readily controllable railway system, but inter-regional trade on many other highways flowed freely. The outcome is one of free inter-regional trade with perhaps

only minimally higher-than-normal transportation costs (due to longer or more time-consuming transportation routes). In this scenario, the truck driver did not have to stop at the police check point because the police is not interested in these regular commercial transports.

A third interpretation is that there were no systematic barriers to trade. A variation is that systematic barriers to trade had disappeared by August 1994, although Alwyn Young's narrative sources for trade barriers reach up through 1996.