

left in the dark. The book succeeds in its goal, which is to provide an insightful conceptual framework and its associated vocabulary. It remains for historians and other empirically oriented researchers to validate these insights for particular events and phenomena.

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China's Economic Transformation. By Gregory C. Chow. Malden, MA and Oxford: Blackwell, 2002. Pp. xiv, 407. \$68.95, cloth; \$31.95, paperback. ISBN 0-631-23329-6, cloth; 0-631-23330-X, pbk. *JEL 2002-1192*

What have been the forces driving China's economic reform? What are the challenges and the prospects for China's future development after joining the World Trade Organization? Can China maintain its high growth rate in the twenty-first century? Gregory Chow, Professor of Economics, Emeritus, at Princeton University, provides answers to these questions in his encyclopedic book on China's economic transformation. A major strength of the book lies in its breath-taking scope and refreshing insights, amply demonstrating Professor Chow's profound knowledge of China's history, culture, economic development, and his expertise in economic theories and econometric methods.

One unique feature of the book is its balanced combination of historical-institutional information and theoretical-quantitative methods in assessing China's economic progress. The author emphasizes that, to understand the Chinese economy and its transformation, it is important to understand China's cultural and historical background. Part 1 of the book provides a concise review of Chinese culture, history, and recent experiments with economic planning and reform. The author asserts that, rooted in the Chinese tradition of Confucianism, the ethics of hard work, respect for scholarship and education, honesty and trustworthiness in human relationships, emphasis on family and social order, and the high value attached to the common good all have effects on the formation of human capital and on the economic behavior of individuals and institutions in China (p. 21). The author attributes the success of China's economic reform to the high quality of human capital along with other factors including a pragmatic (gradual) approach versus shock therapy, support at all levels—from grass-

roots to government officials, political stability, and capable leadership at the top.

Will China's economy be able to catch up with that of the United States? If yes, when? This question has aroused wide attention as China's economy grows. Professor Chow addresses this issue in part 2 of the book, which applies a theoretical and quantitative approach to some key aspects of China's macro economy. Using a Cobb-Douglas production model, the author finds that for the period 1978-98, capital contributes about 62 percent, labor 10 percent, and total factory productivity 28 percent to the 0.093 exponential rate of GDP growth in China. The author predicts that, assuming an exponential growth rate of 0.06 for China and 0.0288 for the United States, the two countries' GDPs will be equal in 2020 in 1998 PPP terms.

Regional developments, population, and human capital are covered in part 3 of the book. The author has pointed out the increasing income disparities among different regions in China and endorsed China's inner land development strategies. These disparities are partly due to regional market segmentation and labor immobility. The coexistence of China's internal market segmentation and external economic integration may pose grave developmental and social problems for China. In evaluating China's population policy, the author refutes the one child per family policy, arguing that the policy is not necessary based on population density and China's ability to feed a larger population.

Bucking the trend of currency crises in emerging markets around the new millennium, China's continuing accumulation of international reserves has led to discussions of revaluation of the Renminbi (RMB), the Chinese currency. In part 4 of his book Professor Chow gives the reader much needed background for understanding the issues that relate to the valuation of the RMB. Low cost and high quality labor in China and China's open-door policy have allowed China to become one of the largest traders in the world and a major destination of foreign direct investment (FDI) in recent years. These have contributed to the accumulation of international reserves. On the other hand, the author lays bare the weakness of China's banking sector and the financial system. The author suggests that the RMB at its current level—8.30 yuan to the dollar—is undervalued based on purchasing power parity

and that in the long run the currency will appreciate in the direction of its PPP rate.

Part 5 of the book provides philosophical perspectives on some fundamental institutional issues such as use or misuse of assets, the legal system and the rule of government, and the educational system and policy. The author sees China's economic reforms as lifting controls of, and restrictions on, the use of assets—both physical assets and human beings. Though much improvement has been made, the author points out that the amount of state control and restriction on economic assets and their use is still substantial in China, which breeds corruption.

Professor Chow's book is a rich mine of information on the Chinese economy. Its comprehensive coverage of a wide range of topics will take a careful reader a considerable amount of time to absorb. Chapter 22, "Taking Stock and Looking Ahead," makes it easier for the reader to grasp the gifts of the book quickly. The author summarizes seven institutional characteristics of the Chinese economy that have influenced and will continue to influence its future development: bureaucratic behavior of government officials, extensive public ownership, the moral and legal system, emphasis on collective welfare, the one-party system under the Communist Party, an intelligent and pragmatic government, and abundance of human capital.

Following the conclusion, the author offers yet another concluding section at the end of the book on the lessons for the study of economic transformation. Though short, this final section brims with insights on the study of economic transformation in general and of the Chinese economy in particular. Based on his analysis, the author poses three questions regarding the predictability of unique historical events. Was economic reform in 1978 inevitable? Was the success of China's economic reform inevitable? Will China's economy continue to grow rapidly through 2020? The author has given positive answers to all three questions and the support for his answers can be found throughout the book. Based on his study of China's economic transformation, the author offers six economic propositions that are seemingly at odds with popular beliefs: 1) private ownership is not necessary for management efficiency; 2) market incentives are insufficient for rapid economic growth; 3) the form of government is irrelevant to the rate of economic growth; 4) alternative economic insti-

tutions can serve a market economy; 5) political feasibility is an important factor in economic transformations; and 6) bureaucratic economic institutions created under central planning are difficult to abolish (pp. 391–392).

Professor Chow's book should have a broad audience. It is an indispensable and authoritative reference for those who study China and the Chinese economy. The book's broad coverage and its lucid style also make it informative and accessible to anyone interested in how economic theories and econometric methods apply to analysis of an emerging economy.

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Rich Democracies: Political Economy, Public Policy, and Performance. By Harold L. Wilensky. Berkeley and London: University of California Press, 2002. Pp. xxxi, 891. \$45.00. ISBN 0-520-23176-7, cloth; 0-520-23279-8, pbk.

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Rich Democracies is a practically comprehensive comparative study of postwar political structure and economic performance in 19 countries, mainly in North America, Northern Europe and Japan, with deepest attention to the paradigmatic cases of social democratic Sweden, corporatist Holland, and above all to the "fragmented, decentralized" mega-case of the United States.

The book begins with a general assessment of convergence, in demography, society, economy, and politics—functional convergence amid institutional disparity is a central theme of the volume. Wilensky proceeds through a taxonomy of democratic political types, and onward through a (mostly depressing) discussion of mass media and political participation. A digressive chapter closing part one criticizes post-industrial theory. A massive second part treats welfare and social policy; and a third, running around 350 pages, deals with system performance (growth, jobs, the environment, health). This section includes a chapter on the effects, which Wilensky believes to be overstated, of globalization.

Wilensky's central concern is with the welfare state, and with the larger issues of human welfare that lie behind the design of social welfare policy. His method is mainly narrative and fact-based. Statistical evidence is used sparingly though often to good effect. Painting on the large canvas, he refutes claims that egalitarian social democracies