

Book Reviews

Edited by Robert Herren

To Get Rich is Glorious: Challenges Facing China's Economic Reform and Opening at Forty. JACQUES DELISLE AND AVERY GOLDSTEIN (Editors). Washington, D.C.: Brookings Institution Press, 2019. Pp. vi, 280. \$ 39.99 (Paper).

This modest volume consists of an introduction by Jacques Delisle and Avery Goldstein (both, University of Pennsylvania) plus eight papers in two sections, four papers each on internal and external issues. Each section begins with an overview/survey paper.

China's internal economic restructuring since the 1978/1979 opening is only lightly addressed in this volume; for longer treatments, see Yi Wen (2016) and Yingyi Qian (2017). The overall theme of the volume is Xi Jinping's 2012 pivot of China's economy toward greater control by the Chinese Communist Party (CCP) apparatus, as Ji Xinpang proclaimed himself ruler for life and consolidated power around the central government. Will Ji Xinpang's tighter central control harm the growth miracle of 1978-2012? As discussed by Wen and Qian, central control was minimal after 1978 shift toward a market-oriented economy. Local government-operated enterprises formed the backbone of growth, due in part to uncertain private property rights and undeveloped financial markets. The central government focused on infrastructure improvements to extend markets, furthering competition. State-owned enterprises (SOEs), largely owned by the central government) were not competitive. Some have described Xinpang's new regime as the revenge of the SOEs. If so, can China's growth miracle continue as Xi Jinping asserts more central control?

Part I: Enlivening the Domestic Economy

The first paper, "China's Domestic Economy: from 'Enlivening' to 'Steering'," by Barry Naughton (UCSD) provides an overview of growth since 1978. Early growth was a response to removing Mao-era constraints ("enlivening"). By the mid-2000s, however, growth was slowing. As

growth slowed, policy makers' commitment to market-oriented reform weakened, with some re-embracing previously abandoned industrial policies (e.g., the Strategic Emerging Industries initiative), a direction that has expanded under Xi Jinping's more central leadership. Naughton notes that the government's role, both domestically and abroad (e.g., the Belt and Road Initiative) has taken the form of finance granted to market-oriented entities, in preference to traditional "socialist" models of government ownership of the means of production. He concludes that the path of China circa 2018 is very different than it was during the first three decades following the 1978 reforms.

In the second paper, "Reflections on Forty Years of Rural Reform," Jean Oi (Stanford) reviews rural economic development since the 1978 reforms. She emphasizes that China's enlightening differed sharply from revolutions in other developing countries because basic institutions, including rule by the Chinese Communist Party, were retained. In rural areas, this meant "decollectivization" of agriculture without private ownership of land, industrialization without private firms, and internal migration without integration of migrants into local right-to-live-there schemes. These frictions remain as unsolved challenges to future growth. In the third paper, "Varieties of Capitalism in China: Private Sector Development During the Xi Jinping Era," Yasheng Huang (MIT) reviews the development of private sector firms since Xi Jinping assumed power. Jinping's new emphasis on state-owned enterprises has disadvantaged fully private firms. Further, private firms have become more closely monitored via the direct insertion of Chinese Communist Party committees into firms.

The fourth paper, "Financial Repression Still: Policy Concerns and Stagnation in China's Corporate Bond Market," by Victor Shih (UCSD), reviews China's undeveloped government-controlled financial system wherein banking remains the realm of the government and market-traded financial instruments struggle to emerge. Unfortunately, there seems little chance for reform and expansion of market-traded financial instruments.

Part II: Opening to the Outside

In paper five, "Four Decades of Reforming China's International Economic Role," David Dollar (Brookings) provides an overview of what the highly descriptive title suggests: China's changing international role between 1979 and 2019. The largest part of his work describes the period

from the 1978 “awakening” or “enlightenment” to 2010, ending before Xi Jinping’s pivot of the economy toward greater central control by the Chinese Communist Party apparatus. He explores why four decades of increasing trade has not caused China to become more of a market economy that abides by commonly accepted rules-of-the-road in international trade. Other papers in this volume cite Dollar’s wide-ranging survey.

The sixth paper, “China’s Emergence as a Trading Power and Tensions with the West,” by Yukon Huang (Carnegie Endowment) reviews the international tensions caused by China’s rise as a trading power. A very small part of the international economy when it entered the World Trade Organization (WTO) in 2001, China by 2009 was the world’s largest exporter. Most Americans view China’s rise as detrimental to the United States, even while buying large quantities of Chinese-manufactured goods. He deftly separates history into three eras: 1980-90, as trade increased to 30 percent from 15 percent of GDP, with Deng Xiaoping’s opening, the dismantling of the centrally planned trade system, and emphasis on coastal development; 1990-2000, as trade increased to a pre-GFC peak of 70 percent, buoyed by expanded infrastructure, internal expansion, and admission to the WTO; and 2000-date, dominated by the more centrally planned scheme of Xi Jinping.

The seventh paper, “Regulating China’s Inward FDI,” by Xiaojun Li (University of British Columbia) addresses the enormous inflow of FDI that fueled China’s enlightenment. The primary value of the paper is its summary of 1979-2016 data from the China Statistical Yearbook by source, region, target zone in China, mode (equity, cooperative, wholly owned), sector (agriculture, mining, manufacturing, services), and origin by continent. Trends highlighted include the shift from joint ventures to wholly foreign-owned enterprises beginning 1985, when the latter were permitted; from manufacturing to services, with the latter exceeding the former in 2010; and development of the interior. Largely unchanged over time is that vast majority of FDI has come from Asia (Hong Kong, Japan, Taiwan), not from the United States or other Western nations.

In the eighth and final paper, “Great Leap Outward,” Tom Miller (Gavekal Dragonomics) discusses China’s emergence as a massive capital exporter. His analysis focuses on two themes: the tension between state-owned enterprises and private firms as both sought to increase their overseas direct investment (ODI), and, of course, the policy shift that occurred as Xi Jinping assumed national leadership in 2012. Since 1979,

a tightly government-controlled banking system allowed the accumulation of large mercantilist-style foreign exchange reserves. In 1999, Jiang Zemin launched the “Go Out” policy to encourage overseas direct investment, especially by SOEs. ODI by both private firms and SOEs accelerated sharply during the 2000s, boosted by the global financial crisis as Chinese firms snapped up bargains.

The path of ODI changed when Xi Jinping assumed power in 2012, focused on the “Chinese Dream” of recapturing the national greatness lost centuries earlier (e.g., Platt, 2018). Under his watch, ODI doubled during 2012-2016, concentrated in oil and gas, coal mines, metal ores, and hydropower—but there also were many dubious investments in entertainment and real estate. New rules in January 2017 required SOEs to invest only in their core business, and directed ODI funding to enterprises operating in sectors deemed strategically important sectors, including acquiring foreign technology. Most often, Chinese ODI has taken the role a secured creditor rather than an equity holder or owner. ODI has become a tool to project Chinese state power abroad. In the United States, attempts to acquire technology have largely been blocked and some quasi-state owned firms, such as Huawei (led by a former Chinese government intelligence officer), have been accused of acting as agents for the Chinese government.

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References

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Good Economics For Hard Times. ABHIJIT V. BANERJEE AND ESTHER DUFLO. New York, NY: Public Affairs, 2019. Pp vii, 403. \$30

This book was published in 2019 and by numerous measures, 2019 was a year of economic prosperity, not hard times. Economic growth and job