

Peter Nolan, *China at the Crossroads*. Cambridge, Polity Press, 2004. 209 pp. ISBN 0-7456-3239-4.

Peter Nolan, Sinyi Professor of Chinese Management at the University of Cambridge, has recently published an extremely important book entitled: *China at the Crossroads*. Since the late 1970s, China has achieved the most remarkable economic growth that humanity has probably ever witnessed. China has reached its current development momentum through a step-by-step experimental approach known as 'groping for stones to cross the river' (*mozhe shitou guohe*), whereby market forces are incorporated into the Chinese economy while state control remains. Today, China is facing enormous political, economic and social challenges as it moves into a new era of development and seeks ways to build a stable, cohesive and prosperous society in the twenty-first century. China has, as the book title suggests, arrived at a critical crossroads.

China's new generation of leaders under Party General Secretary Hu Jintao has the massive task of coming to terms with a number of major challenges all at the same time. A variety of development models are debated for the Chinese leadership to emulate. In which direction should China proceed in the turbulent waves of globalization, transition and development? Nolan sets out to answer this burning question.

The book consists of three chapters. In chapter one ('The Challenges to China's Economic and Political Stability') Nolan provides an analysis of the series of daunting challenges facing China: the vast extent of poverty and rapidly growing inequality; the challenge for Chinese businesses from the global business revolution; a deeply degraded natural environment; declining capabilities of the state; a comprehensive challenge in international relations; widespread corruption within the Chinese Communist Party; a psychological challenge as China seeks to integrate with a world economy at a time of unprecedented individualism and materialism in global culture; and extreme dangers in engaging closely with the global financial systems. Within the framework of the World Trade Organization (WTO), for example, China will face intense competition from global financial firms but 'Even more dangerous is the prospect of full integration with global financial markets' (p. 59). Talking about China's evasion from the Asian financial crisis, Nolan suggests that only by 'bold and effective policy measures' can China survive such crises.

In chapter two ('China at the Crossroads: Which Direction?') Nolan moves on to single out 'three models' which have been identified by various advocates as suitable development paths for China. The first

is the '*realist approach*', which advocates a tough authoritarian state as the only way to control Chinese society. This school of thought finds its roots in the 'Lewis phase' of development. The school compares China's current development to the 'primitive capitalist accumulation' discussed in Karl Marx's *Capital*, Vol. 1 and traces historical analogies to industrializing Britain (from 1750 until the mid-nineteenth century) as well as the Meiji Japan (1868-1912). The second model is the '*human rights approach*', which calls for radical political change and 'regime change' as the only way for China to survive. It holds that continued successful Chinese development requires a drastically reduced role by the state. Among the international community of politicians and intellectuals, not least Chinese dissidents, there is a strongly expressed view which is committed to ending rule by the Chinese Communist Party. This line of thought is grounded in the US-style 'free market fundamentalism', with the advocates ardently quoting Adam Smith's 'invisible hand' as their theoretical foundation. The third model is '*the left-wing approach*', which argues that China has taken a fundamentally wrong turning by moving towards a free market economy. Its supporters believe that only by reducing its reliance on global economy, foreign direct investment and capital inflow can China solve the growing tensions. This approach is sympathetic to a return to the policies of Maoist years (mid-1950s to mid-1970s). Nolan argues that each of these three paths is 'deeply flawed': 'Indeed, adopting either of the first two alternatives may well produce the third path, as the only way out of the resulting chaos that would be highly likely to result' (p. 110).

Nolan devotes a considerable amount of space in chapter two to describing the historical contexts of the emergence of US free market fundamentalism and probing into the meaning of 'freedom' in various periods of US political and economic life. 'Freedom' was perceived as 'the liberty to buy and sell, and mend and make, where and how we please, without interference from the state' (p. 80) in the rise of Social Darwinism in the late nineteenth century. Theodore Roosevelt, however, gave freedom a modern social and economic slant in the 1910s: '[F]reedom today is something more than being left alone. The program of a government of freedom must in these days be positive, not negative merely' (p. 82). The Great Depression had a fundamental impact on the interpretation of 'freedom' in the USA in 1930s:

Under Roosevelt's guidance, the Democratic Party led the country towards large-scale state intervention to reconstruct the economy and provide citizens with social security. ... The nation-state must protect Americans from the vicissitudes of the marketplace. (p. 83)

After the 1950s, movements were launched to 'reclaim the idea of freedom', which now meant 'de-centralized political power, limited government and a free market economy' (p. 83). Planning was compared to dictatorship and the free market was viewed as the truest expression of freedom. By the 1980s, and even more forcefully in the 1990s, the dominant view of 'freedom' in the USA came to be equated with individual choice in the marketplace and with minimal interference from the state. 'The collapse of the former Soviet Union deeply reinforced Americans' confidence in the free market, and in the country's duty to lead the world towards this as a universal form of socio-economic organization' (p. 84). Nolan argues that the free market fundamentalism has its intrinsic shortcomings which have already resulted in deep-seated problems in American society and that the 'invisible hand' can by no means solve all economic problems. Even the widely acclaimed Hong Kong model can hardly be copied to meet the massive challenges facing the 1.3 billion people on the Chinese Mainland.

In the third and final chapter ('China at the Crossroads: "Use the Past to Serve the Present"') Nolan uses the Chinese saying 'Use the past to serve the present' (*gu wei jin yong*) to convey one of the core messages of the book: There is another way for China to go, namely to move beyond the crossroads by following broadly the same direction as has been followed over the past two decades, i.e., 'groping for stones to cross the river' in an experimental, non-ideological fashion. The Chinese character *gu* means 'history' or 'the past' and Nolan masterfully borrows *gu wei jin yong* to suggest that China can and should turn to its own long rich history as a source of inspiration. This is the most fascinating chapter. Many economists believe that it was the traditional Chinese state that stifled the creativity of the Chinese nation, crushed the development of ancient Chinese market economy, and ruined the chance for industrial revolution to take place on Chinese soil. Nolan, however, points out that from the tenth to the thirteenth century, China set out along the path of the 'Second Industrial Revolution' well before Europe. In 1750, China's share of global manufacturing output stood at 33 percent, compared with 25 percent in India/Pakistan and just 18 percent in the West. Referring to recent research findings by Chinese economic historians, Nolan shows that the traditional Chinese economy was far more dynamic and market-oriented over a longer period than had formerly been thought. Nolan asks: 'What factors permitted the Chinese economy to make sustained progress over more than 1,000 years?' (p. 112). By looking at ancient China's long-term growth in agriculture and property

rights, technical progress, trade, industry and urbanization, and by examining the relationships between the state and the market in Chinese development in terms of government bureaucracy, law, money (nature of currency), water control, famine relief, commodity price stabilization, tax policy, and police and fire fighting, Nolan hammers home his point with force: The Chinese state had over a long period of time in Chinese history strongly encouraged the development of the traditional Chinese market economy. Nolan believes that

one answer to the "Needham question" of why China failed to achieve an "Industrial Revolution" despite a high level of technical development is precisely that markets were so highly developed that any local bottlenecks could almost always be met through the market mechanism ... The state stepped in where markets failed, not only in respect of immediate growth issues, but also in relation to the wider issues of social stability and cohesion. It nurtured and stimulated commerce, but refused to allow commerce, financial interests and speculation to dominate society. (p. 144)

Thus far, the reader has reason to believe the book's single and definitive voice is being heard. Nolan, however, is not content to rest here but sets out to explore an even broader vision: It is not only China but also the entire world that stands at the crossroads. Is the US-model of capitalism (i.e. of pursuing individual extreme wealth and greatness) the 'final form of human government'? Must the role of the state vanish to let the market be led and acted upon by the 'invisible hand'? Nolan's answer is a definitive 'No'. In the words of Nolan: 'The untrammelled free market in the USA which re-emerged in the late twentieth century is unable to satisfy fundamental human needs for self-fulfilment and security' (p. 145). Nolan points out that Adam Smith has been gravely misinterpreted by many highly respected economists as well as politicians, many of whom have never read any part of Smith's *Wealth of Nations* (first published in 1776) nor have they heard of Smith's other great work *Theory of Moral Sentiment* (first published in 1759 and revised in 1761). According to Nolan, these two works, despite different topics, share the very same fundamental passion about the moral foundations of social life:

At the heart of each of these books is an explicit recognition of fundamental contradictions within the market economy. Smith demonstrated that the free market is an immensely powerful force for impelling economic progress, but one that has deep in-built contradictions. (p. 146)

By quoting carefully Smith's works, Nolan shows that Smith considered the pursuit of wealth and greatness, the fundamental driving

force of economic progress, as containing paradoxically the seeds of its own deception. The power of Adam Smith lies not in the 'invisible hand' but rather in his conviction that 'the only worthwhile social goal was the pursuit of happiness ... not the pursuit of "power and riches": Happiness is tranquillity and enjoyment' (p. 151). Nolan has discovered that the relationship of the traditional Chinese state to the market for over one thousand years – a unique hybrid of the state and the market – approximates the ideal approach indicated by both Adam Smith and Confucius. Innovatively, Nolan provides a table of quotes from the classics of Adam Smith vs. Confucius, revealing that both share very much the same moral foundation on how to view the pursuit of wealth, social status and happiness, and how to build a cohesive, prosperous and happy human society. Nolan concludes:

If, by the 'Third Way', we mean a creative symbiotic inter-relationship between state and market, then we can say that China practised its own 'Third Way' for two thousand years. This was the foundation of its hugely impressive long-run economic and social development. (p. 174)

In groping for its own system survival, China can make a powerful contribution to global system survival. ... By taking the 'choice of no choice', China's own survival can contribute to global survival and sustainable development, by offering a beacon as an alternative to the US-dominated drive towards global free market fundamentalism. This is a crossroads not only for China, but also for the whole world. (pp. 176-77)

China at the Crossroads is one of the most fascinating books, if not *the* most fascinating book, written about China. Going through this text, I was from time to time deeply touched by Nolan's fresh ideas and bold propositions, and by his empirical engagement. Writing in a style similar to that of *China and the Global Business Revolution* (Nolan 2001), Nolan navigates his way through a broad spectrum of perspectives from economics, business, industry, to history, philosophy, art and society at large. His notes from his meeting with Deng Xiaoping in June 1979, his use of Chinese sayings, his incorporation of the Tang Dynasty poem *Baidi Town* (by Li Bai), and his quotes from *The True Story of Ah Q* (by Lu Xun) are presented in a relevant, elegant, convincing, and moving manner.

There is no doubt that this book does not answer all the questions it raises. How to combat corruptions is an issue in point. For example, excessive personal power abused in the name of the state coupled with immature market mechanisms is believed to be the cause of widespread corruptions in China (He 1998). How to integrate China with the WTO while at the same time retaining China's unique conditions *guoqing* and how to cope with the growing tensions between traditional Chinese

culture and the emerging global culture in China are among the many issues that warrant further investigation.

All in all, Nolan has masterfully delivered the promise suggested by the title of his book. The book has heightened the intellectual platform for more fervent debates over the fate of China and the fate of the world in the era of globalization, transition and development. *China at the Crossroads* deserves a wide readership by all academics and practitioners who are interested in China irrespective of their fields; indeed, it should be of interest to anyone who is seeking a meaningful path toward the achievement of a moral and successful society. The book deserves an immediate translation into Chinese to be accessed by more Chinese economists, management scholars, business people, college students, and not least politicians. As a matter of fact, the negative effects of the 'Washington consensus' (free market fundamentalism and globalization of financial systems) have been discussed most recently in China (Zhang 2004). Chinese economists Fan Gang and Zhang Xiaojing (2003) termed China's opening up as 'incremental opening' and 'protective opening'. Their study of China's experience concluded:

China has its special characteristics. China's experience is by no means perfect. But in general China has not listened to the opinions of some foreign economists and the dogmatism of economics to embrace the notion of extreme freedom. As a result, China has benefited from globalization. This is the most fundamental piece of Chinese experience which can be drawn on by others. (Fan and Zhang 2003: 12)

At the time of writing this review, *Newsweek* published a list of the world's Top Ten Best Countries. I was inspired to see that Sweden tops the list and all the Northern European countries (i.e., Denmark, Finland, Iceland, Norway and Sweden) were specifically named in the opening text of this report as representing 'the greatest success in solving the problems of balancing competition and cooperation, capitalism and social security' and 'have much to tell bigger nations about paths to the good life' (*Newsweek* 2004: 28). The Nordic model, a unique combination of the state and the market, has been widely recognized as a Nordic Third Way to human development. I believe China will be able to find its own Chinese Third Way, imbued with its own national cultural characteristics, which holds great potential to contribute to the good life on earth.

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Theodore C. Bestor, Patricia G. Steinhoff and Victoria Lyon Bestor (eds), *Doing Fieldwork in Japan*. Honolulu: University of Hawai'i Press, 2003. 414 pp. incl. bibliography, list of contributors and index. ISBN 0-8248-2734-1.

This book contains twenty essays by foreign scholars of Japanese Studies working in various fields of anthropology (cultural, economic, legal, rural, etc.), history, media studies, political science, popular culture, religious studies and sociology, together with an introduction by all three editors and an appendix on digital resources by Victoria Lyon Bestor. Given that the contributors also range in age from a very senior scholar (Robert J. Smith) to young hopefuls who have only recently completed their dissertation fieldwork, the book may be seen to represent an extremely wide range of – almost entirely American – fieldwork experiences in Japan.

As someone who is not American and who has, over the years, watched the increasingly inward focus taken by those Japan specialists and anthropologists living and working in the United States, I have to wonder at the editors' decision to pay so little heed to the activities of European (including Israeli) scholars of Japanese Studies. The two contributors from outside the US, Joy Hendry and Ian Reader, have both written excellent chapters – suggesting that others this side of 'the Pond' might usefully have been invited to participate in this publication. The fact that the editors did not do so unfortunately contributes at an academic level to the overall impression of American arrogance currently displayed on the political front.