

historical debate over capitalist transformation. He argues that as a precondition for efficient markets, development theories need a structure of stable property rights. Yet, property rights often fail to account for larger social transformation, which is necessary for further economic development. Hence, today, economists not only need to identify the institutions and interventions, but also need to understand the structure from which they arise.

Next, Jaime Ros reviews the impact of modern growth theory on pioneering development economists, while Amitava Dutt considers the role of international trade in early development economics. Historically, it has been shown that economic development requires co-ordination of education policy, industrial policy, innovation policy, trade policy, and competition policy. But Ros's survey points out that technology or its absence influences differences in rates of growth, wages, and welfare. Further, Amitava Dutt discusses the issue of international trade, which seems to have produced both factor-price equalization and factor-price polarization, depending on the context.

Following this, Alfredo Saad-Filho in Chapter 7 assesses Latin American structuralism and dependency theory. He reviewed two influential Latin American theories of development and underdevelopment. While the structuralists claimed that better economic policies could foster development, the dependency theorists argued that development was impossible under capitalism. However, both these theories ran out of steam as Latin America created a technological backwater by protecting old industries for small home markets, and these could not survive once opened to the world market.

Finally, in the last chapter of the book, Tamas Szentes discusses development in the history of economics. He outlines development economics as a separate field of study, born after World War II. However, he emphasizes that the issue of economic development was with all the writers of classical, Marxian, Keynesian and neoclassical schools. So after World War II, it was only the separation of "development economics" from the main body of economics.

Thus, the volume intends to contribute to the recognition of a long tradition of thought where economic growth and development are an uneven process. This is especially because of the diversity among humans, among firms and among technologies. It also demonstrates the cases of economics that can be traced back to centuries as one generation of economists influenced the next. For example, the emphasis on the role of manufacturing goes back to policies of the late 1400s and the late 1500s. Hence, the book focuses on continuity of thinking on economic development from pre-Smithian times to the classical development economics of the post-World War II era.

On the whole, *The Origin of Development Economics* is a good read for academics and throws some insights on the origins of economic development policies. It is a useful contribution to the understanding of history of development economics. The surveys are comprehensive and are an important resource of background information for researchers.

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China: Is Rapid Growth Sustainable? Edited by Ross Garnaut and Ligang Song. Canberra: Asia Pacific Press at the Australian National University, 2004. Pp. 249.

This publication is partly based on papers presented at the China Update Annual Conference held in Canberra, in October 2004, organized by China Economy and Business Program and the Asia Pacific School of Economics and Government of the Australian National University. The book discusses some important issues surrounding China's economic growth and transition, especially after China's post-WTO era. These include domestic marketization and market integration, further reform of state-owned enterprises (SOEs), regional disparity and poverty

reduction, financial market development, employment situation, and international trade.

It is increasingly clear that the sustainability of its rapid economic growth has become a central concern for China. As shown in the book, economic growth has contributed significantly to the rising average standard of living and the reduction of poverty in the country. Continued economic growth is, therefore, essential to maintain social stability in China while the economy has been undergoing fundamental transformation. Moreover, China's rapid economic growth has been an important factor in recent years in the positive economic dynamism in Asia and in the world. As a result, the sustainability of China's economic growth has captured increasing attention from both within and outside China. The book is a much-welcome addition to the literature on China's growth and its sustainability.

The opening chapter starts with a useful discussion on the origins of China's economic reform and the pressing challenges that China faces, including a flawed financial system, growing development gap, macroeconomic fluctuations, and problems with the international trading system. This provides readers with a general overview of not only China's past reform and performance but also the issues that needs to be addressed. The chapter also introduces and links the remaining chapters together. The following chapters focus on various issues considered central for China's sustainable growth.

The first issue, China's market development, is discussed from various aspects in three chapters. Chapter 4 focuses on the grain market, Chapter 8 on the labour market, and Chapter 7 on marketization in general. Chapter 4 gives a thorough and insightful overview of China's domestic grain market development. It concludes that after twenty-five years of effort, reforming China's grain market has been reformed with a substantial degree of success. However, many features of the centrally planned system have survived till today, which suggests the difficulties still facing full marketization of the sector. On the labour market, Chapter 8 finds some evidence of increasing labour market integration and that the

non-state sector played a major role in facilitating the process. The chapter suggests that China's gradualist approach, where the state sector was gradually liberalized and restructured, and non-state sector greatly encouraged, helped to develop a unified labour market. Chapter 7 depicts a positive general assessment of China's overall marketization process, while recognizing areas for further improvement. One valuable insight is that regional development and the degree of marketization were positively correlated across provinces. Overall, though, there are plenty of room for further improvement.

Another area of emphasis is the growing gaps in development and in income, both inter-regional and inter-personal. Chapter 9 takes the issue of regional policy and economic growth, giving particular attention to the recent campaign to develop China's western inland region. The chapter discusses the policy dilemma the Chinese government faces to narrow regional gaps while maintaining the growth dynamism of the east coast. It concludes that increased government investment and policies favouring the West are important but so far the impact has been limited. Chapter 7 discusses a relatively new phenomenon of poverty and income inequality in urban China. First, it concludes that economic growth is a crucial element to combat urban poverty. Moreover, it also examines the impact on urban poverty, of recent reforms in housing, healthcare, and education. It finds that uncertainty in income and expenditure patterns, due to the above-mentioned reforms and SOEs reforms, has led to higher savings and put more families in poverty in terms of current expenditure.

The third area of emphasis lies in the area of the external sector, including exchange rate policy, trade policy, and WTO membership. Chapter 5 first outlines the trend of the real effective exchange rate of China's renminbi (RMB). It also examines the determinants of China's exchange rate and finds some evidence that the real effective exchange rate is related to changes in trade and foreign exchange costs. Chapter 13 focuses on China's post-WTO trade policies, especially on the WTO commitment to implementation and on

China's experiment with regional economic co-operation. It demonstrates that concrete steps have been taken to implement China's WTO commitment. The chapter also identifies the active role China has played in recent years in promoting regional economic co-operation. The author recommends that, first, members should use the WTO dispute settlement mechanism to address bilateral trade issues; and second, that China should play a leadership role in forming regional agreements that promote global trade and economic liberalization. Chapter 6 discusses China's position in the current Doha Round. The chapter provides valuable background and discussion on the current debate regarding agricultural and non-agricultural trade as well as trade in services. It concludes that there are large potential costs to China, and to other developing countries, if negotiations fail.

The remaining chapters consider a number of issues related to sustainable growth, including structural change, productivity, privatization, and macroeconomic performance. Chapter 2 compares the growth performance and short-term economic prospects of the two largest Asian developing economies, China and India. It presents a rather contrasting picture of the two, where China is battling with economic overheating and India is trying to accelerate economic growth. In retrospect, both have to some extent achieved their policy objectives albeit using different policy apparatus, consistent with the authors' projection.

Chapter 3 takes up the issue of structural changes of the Chinese industry, including product structure, ownership structure, size distribution, and regional distribution. It first examines the trend in capital goods investment, the shares of hi-tech products in trade and in industrial value-added, research and development (R&D) activities of large and medium-sized enterprises, and patents activities. It also documents the growing diversification in industrial ownership, especially the decreasing importance of state-owned enterprises in consumer goods. Along with ownership restructuring, size and regional distribution of Chinese firms have also been altered.

Chapter 10 uses the stochastic frontier approach to examine China's growth performance and finds that recent growth is driven mainly by factor input. Improvement in total factor productivity is important but has not played a major role. Finally, Chapter 12 examines the effect of privatization on the incentives of Chinese firms. The empirical estimation finds that privatization improves mainly labour incentives, relative to owner incentives. It also concludes that outsider privatization and full privatization are more effective to improve incentives relative to insider and partial privatization.

In short, the book discusses a range of important issues with respect to China's sustainable growth. It provides a valuable comprehensive evaluation of China's reform experience and short- to long-term development prospects. One subject which is not taken up in the book is China's energy consumption. As China's growth so far has been highly energy intensive, the issue is no doubt crucial to China's sustainable economic growth.

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The Evolution of PECC: The First 25 Years.
By Pacific Economic Cooperation Council
(various authors). Pacific Economic Cooperation
Council, 2005. Pp. 182.

Began as a sentimental journey of PECC founders and veterans, a Korean *ad hoc* spirit of voluntarism organized people and discussions to bring out this twenty-fifth anniversary book project. As tripartite as PECC, joined by Australian and Indonesian "old hands", nine chapters have the usual anniversary aims, no less the twenty-fifth.

As a PECC worker in the 1980s and 1990s with both fondness and understanding of the environment under which PECC was founded and evolved, some disappointment remains. It is not

2004 (with Ligang Song (eds.), *China: Is Rapid Growth Sustainable?* Asia Pacific Press, The Australian National University Press, Canberra. 2004 (with Ligang Song (eds.), *China's Third Economic Transformation*. RoutledgeCurzon, London. 2003 (with Ligang Song, (eds.), *China: New Engine of World Growth*. 2001 (with Ligang Song, Yang Yao and Xiaolu Wang) *Private Enterprise in China*. Asia Pacific Press, The Australian National University, Canberra, and China Centre for Economic Research, Peking University, Beijing. 2001 (with Huang Yiping (eds), *Growth Without Miracles*. Oxford University Press. 1999 (with Ligang Song (eds), *China: Twenty Years of Reform*. Asia Pacific Press, The Australian National University, Canberra. This is Chapter 1 in the book, edited by Ross Garnaut and Ligang Song, entitled *China: Is Rapid Growth Sustainable*, Asia Pacific Press, Canberra, 2004. Ross Garnaut. Ross Garnaut. This is Chapter 1 in the book, edited by Ross Garnaut and Ligang Song, entitled *China: Is Rapid Growth Sustainable*, Asia Pacific Press, Canberra, 2004. Ross Garnaut. Ross Garnaut.