

**BOOK REVIEW FOR THE JOURNAL OF ASIAN BUSINESS**  
**COASE, RONALD., AND NING WANG (2012). *HOW CHINA BECAME***  
***CAPITALIST*. NEW YORK: PALGRAVE MACMILLAN.**

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*How China Became Capitalist* by Professors Ronald Coase and Ning Wang is a blow-by-blow account of China's amazing journey since Mao's death in 1976. This book grew out of the 2008 Chicago Conference on China's Market Transformation organized by the two authors, which I had heard of but had not attended. Therefore, it is a pleasure to enjoy the fruits of this labor.

With excruciating details, the book documents a well-known story: the reforms implemented by post-Mao leaders in China led by Deng did not represent a concerted attempt to create a capitalist economy. In China's repeated efforts to seek "better" and "more efficient" socialism, it ended up turning capitalist. What is new? One contribution is the articulation of what the authors call "marginal revolutions"—private farming, township and village

enterprises, individual entrepreneurship, and Special Economic Zones—that promoted China’s economic and political transformation in the 1980s.

This book has largely accomplished its goals of outlining the “how” aspects of China’s transitions. In the authors’ own words, the book is “mainly a historical narrative of the chain of actions” (p. 202). However, for someone (like this reviewer) dying to know “why” from a theoretical perspective, this book does not quench my intellectual thirst.

In the authors’ defense, they do note that

“There is no way to present a coherent narrative of how China became capitalist without certain theoretical perspectives. Facts have to be selected and their significance assessed. Neither can be accomplished without proper guidance from theory” (p. 202).

But, which theory? This is not clear. If I had not been an admirer and consumer of Coase’s Nobel-winning research on *transaction cost theory* for two decades and had been a “general” reader, I would have had a hard time believing that Coase is best known for his theoretical work. This book, instead, is very qualitative and descriptive. The Preface does disclose that Wang “provided information about events in China and their interpretation,” and then the two authors worked closely.

Given my knowledge of Coase's work (I had not read Wang's work before this book), I had expected a theoretical account of China's transitions—the most likely contender in my view would be a transaction cost theory of China's transitions. To my surprise, this book presents no such transaction cost theory. The very term "transaction cost" is only mentioned lightly on four pages (per Index).

When reading the book, I have kept going through the heavily descriptive material and hoped that Coase and Wang will provide such theoretical generalization at least at the end of the book. Here is what I finally get on p. 202 (second to the last page):

"It will take us decades, if not centuries, to fully explain why China became capitalist the way it did, resolving all intriguing puzzles. But we must first establish a solid understanding of how China became capitalist and ascertain exactly what we have to explain before we can possibly venture any causal explanation."

While—allow me to be honest—I am disappointed by the lack of efforts to generate any causal (or theoretical) explanation, I appreciate the authors' scholarly honesty. Overall, this reminds **me** of one persistent challenge we encounter in undertaking theoretical work in the China (or Asia) field. How do we marry the rich (and messy) on-the-ground context with incisive theoretical

development? If one of the best theoretical minds of our time has a hard time endeavoring to generate a theoretical account of China's transitions, one side of me suggests that China may simply be too large, too complicated, and too chaotic for such theoretical attempts. However, the other, more optimistic side of me believes that this lack of theoretical development indeed offers a great deal of *hope* for the next generation of scholars to **stand** on the shoulders of great descriptive works such as *How China Became Capitalist* to deepen and broaden our theoretical understanding of such epic transitions. In other words, I suggest the title for the follow-up work to be *Why China Became Capitalist*.

On a personal note, I wish I do not have to wait decades, and certainly not centuries, before I see such next-generation work. Considering Professor Coase is now enjoying his 101<sup>st</sup> year (!) and he certainly deserves a real retirement, I hope Professor Wang (and his future colleagues as well as other like-minded scholars around the world) will charge ahead to produce such theoretically penetrating, next-generation work.