

a provocative concluding essay that makes tentative interpretations about the nature and significance of the noninterventionist, or liberal, approach to the economy in the Qing period and discusses further the appropriateness of applying the term “economic liberalism” to the Qing experience.

The study has a number of strengths that make it a very important contribution to our understanding of Qing stewardship of the economy in matters related to popular subsistence and livelihood. It is particularly strong in its treatment of the Yongzheng-Qianlong transition in the 1730s and 1740s when the interventionist approach gave way to a more restrained, noninterventionist one. The author does an excellent job of drawing together and synthesizing important studies by Japanese and Chinese scholars, and she does not subordinate exposition of evidential detail to interpretive overviews that often mask important aspects of this key issue in Chinese political economy. In a period when scholarship often emphasizes sweeping interpretations and overviews at the expense of detailed argument and when deconstruction tends to diminish the importance of careful historical reconstruction, Dunstan’s study is indeed noteworthy. Moreover, the presentation of actual translations reveals the wide-ranging and innovative character of Qing administrative problem-solving, its style of political advocacy, and its practical orientation, thus providing the reader with important insights into the practical operation of Qing government.

The study loses something of its sharpness and clarity of focus in the concluding chapter, “Sprouts of Liberalism” (pp. 327–33), when the author veers away from her systematic presentation of the interplay of interventionist and noninterventionist themes in Qing stewardship of the economy and focuses instead on further qualification and justification of her use of the term “Chinese economic liberalism.” Even though this reviewer, in general, finds problematic the use of Western terms to describe aspects of the Chinese historical experience, Dunstan has satisfactorily defined and restricted her use of the term in the preface (p. 8), so that further discussion of the term in the conclusion is unnecessary. Instead, more attention might have been given to drawing together the threads of her penetrating analysis and interpreting their implications in Chinese political-economic thought.

These critical observations, however, do not diminish the excellence and importance of this study for an understanding of Qing political economy. Its clear accessible presentation of complex issues makes this study of great interest for specialist and nonspecialist alike, and it is regrettable that it is not published in paperback because of its suitability for upper-level undergraduate and graduate courses. One looks forward to the completion of Dunstan’s study of state policy toward the grain trade and popular subsistence in mid-eighteenth-century China and her projected study of Chinese economic thought from the eleventh to the early nineteenth century.

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*Inflation and Investment Controls in China: The Political Economy of Central-Local Relations during the Reform Era.* By YASHENG HUANG. New York: Cambridge University Press, 1996. \$59.95 (cloth).

In *Inflation and Investment Control in China*, Yasheng Huang tackles a vexing question for students of China’s post-Mao political economy: has administrative

decentralization eroded the power of the central government to the point that it can no longer command compliance from local governments? While accepting that reform has shifted resources from the center to the localities, Huang sets out to prove that, contrary to conventional wisdom, central control has actually increased.

Huang specifically examines the center's ability to force local governments to cut back on investment when excessive investment threatens to overheat the economy and trigger inflationary pressures. Inflation, he argues, is a public good in that although everybody benefits from its control, individuals benefit from investment strategies that fuel inflation. Because property rights are based on the principle that "he who builds it owns it" and growth in local revenues are dependent on local economic expansion, local governments have incentives to invest heavily, incentives which are reinforced by "soft budget constraints" that limit the cost and risk of investing. During expansionary periods, this leads to excessive investment and inflation. Because it has a vested interest in controlling inflation, this then forces the central government to implement austerity measures. Although austerity benefits all localities by preventing inflation from eating away at gains in revenues, individual localities have strong incentives to "shirk" by continuing to invest heavily while others comply with the center, thus allowing them to reap the benefits of low inflation and high investment. Inflation can only be brought under control, therefore, if the center can enforce across-the-board cuts in investment.

Using a principal-agent model and quantitative data on changes in investment, Huang shows that provincial governments comply with central policies when (a) the center explicitly demands compliance and (b) the center has the ability to monitor the actions of provincial government. Because monitoring cannot be operationalized in a rigorous manner, Huang hypothesizes that if the centrifugal model is correct, the gap between investment rates in periods of expansion and retrenchment should decline as the localities become less responsive. He finds, however, that not only have provincial governments become more likely to reduce investment when confronted with unambiguous demands for austerity, but that the amount of variation in provincial responsiveness has decreased as well. In short, between 1977 and 1992, provincial governments have shown an increasing tendency to comply with the center. This does not, however, mean that they do not engage in evasion or pursue local interests. Rather it means that provincial governments engage in "strategic compliance," complying when it serves their interests and evading when it serves their interests.

Huang argues that the growing power of the center reflects its continued monopoly over provincial-level personnel appointments. Control over appointments enables the center to select "reliable agents." This does not eliminate the twin problems of adverse selection and moral hazard. Nevertheless, central control over advancement creates an incentive structure characterized by pressures to expand the local economy as much as possible during expansionary periods but to cut back during retrenchments. By alternative expanding and cutting, provincial officials establish reputations as developers and loyalists, thereby increasing their chances for promotion. Career incentives and the center's monopoly over appointment and advancement, in short, continue to trump localism even though the opportunities for localism have increased.

Huang's use of deductive modelling and quantitative analysis yields a well-constructed argument. Huang's reliance on quantitative measures, however, also leaves the argument vulnerable to attack. Ultimately, the validity of his conclusions rests on whether official data accurately reports changes in investment and hence provincial

responsiveness to central demands. Huang addresses this issue by first arguing that because statistical methods are premised on the existence of random error, there is no requirement that the data be pristine. If they were, he correctly points out, there would be no need to apply statistical methods because the data would, by definition, accurately describe reality. He then notes that his previous work has shown that while Chinese statistics contain considerable random error and noise, there is no evidence of systematic bias. Thus, according to Huang, the data are dirty but not cooked, with the result that proper statistical handling renders them reliable indicators. Proponents of the disintegration argument and those who harbor reservations about Chinese statistics may not be swayed by these arguments, but before they can turn the tables on Huang they will now have to answer Huang's data with hard and convincing data of their own.

Overall, the book is a formidable work of scholarship and an impressive application of social science methodology to the study of central-provincial relations in China. Readers should also not be misled by the rather dry technical-sounding title. Although overtly about economic policy implementation, Huang's book addresses critical political questions about postreform China and is a powerful and important counterpoint to those who would argue that China is on the verge of disintegration.

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*The Genesis of Chinese Communist Foreign Policy.* By MICHAEL H. HUNT. New York: Columbia University Press, 1996. xiv, 343 pp. \$34.50.

This book could not have been published at a more opportune time, for the reforms set in motion by Deng Xiaoping seem destined to enable Chinese elites to reach a goal that they have sought since the middle of the nineteenth century: to acquire the power and vitality that will permit China to take its proper place among the world's great powers. As China's economic and military power steadily increase, the future foreign policies to be pursued by Beijing are now becoming a central concern in post-Cold War Asia. Thus, a reevaluation of the principles that have driven the Chinese Communist Party's (CCP) external relations in the past will assist scholars and policymakers as they prepare for a far more powerful China in the twenty-first century. Hunt's important work, a decade in preparation and drawing upon his earlier essays, is constructed on a framework of three basic concerns: an examination of the ways in which the CCP's external relations fit historical patterns of China's foreign policy; the need to revisit the basic patterns of communist China's policies following the release of party historical documents; and, consequently, the requirement to reexamine some of the core ideas permeating the field of Chinese foreign policy.

Hunt argues that more attention should be paid to the continuities of the past in examining communist China's policies, carefully noting that the CCP inherited not a single model for conducting foreign policy, but has a diverse tradition of statecraft to draw upon. This historical legacy covers strategies ranging from the use of brute force and balance of power principles to compromise and collaboration, and from cultural exchanges and trade to secret alliances and diplomacy. All of these strategies in China's past have close parallels with policies pursued at different times in China's modern history. Of these diverse traditions, which will prove more influential in the future? In seeking to answer this question, Hunt provides a detailed historical analysis that takes the reader from the variety of policies and strategies used by the late Qing as it sought to survive encroachment by foreign powers (1800–1912)