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*Book Review*

**Toru Kubo, Jun Kajima, and Yoshinori Kigoshi, *Tokei de miru chugoku kingendai keizai shi (Economic History of Modern China: An Approach Based on Statistical Data)*. Tokyo: University of Tokyo Press, 2016. pp.204. JPY2900.00.**

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The global presence of the Chinese economy is increasing every day. Why did the Chinese economy achieve such remarkable development, what kinds of characteristics does the development process have, and how will the Chinese economy continue to evolve? When considering these questions, it is essential to look back on the course of the Chinese economy. This book is an attempt to understand the course of the Chinese economy over the last century and a half or so based on statistical data.

This book was written by three Japanese researchers specialized in modern Chinese economic history. Kubo has mainly researched the history of modern China's economic policy, cotton spinning industry, and corporate management<sup>1</sup>. Kajima has mainly researched the finances and industrial trends during the initial period after the People's Republic of China was founded<sup>2</sup>. Kigoshi has utilized Chinese trade statistics to associate the development of the Chinese market from the second half of the 19<sup>th</sup> century to the first half of the 20<sup>th</sup> century with transformations of the global economy, analyze the market, and write about it<sup>3</sup>.

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<sup>1</sup> His major books include *Senkanki chugoku jiritsu eno mosaku: kanzei tsuka seisaku to keizai hatten* (China's Quest for Sovereignty in the Interwar Period: Tariff Policy and Economic Development). Tokyo: University of Tokyo Press, 1999. and *Senkanki chugoku no mengyo to kigyo keiei* (Chinese Cotton Industry and Business Management in the Interwar Period). Tokyo: Kyuko Shoin, 2005.

<sup>2</sup> Jun Kajima, *Shakai shugi taiseika no shanghai keizai: keikaku keizai to koyuka no impact* (Shanghai's Economy under the Socialist System: The Impact of the Planned Economy and Socialist Transformation). Tokyo: University of Tokyo Press, 2018.

<sup>3</sup> Yoshinori Kigoshi, *Kindai chugoku to koiki shijyoken: kaikan tokei ni yoru macro teki approach* (Modern China and Large Regional Market Spheres: A Macro-Approach Using Maritime Customs Data). Kyoto: Kyoto University Press, 2012.

This book consists of a total of ten chapters: an introductory chapter, chapters 1 to 8, and a final chapter.

The introductory chapter points out that the Japanese awareness of China tends to be a little off and then lists three issues that this book examines and four points to consider. The three issues are as follows: to select individual research results and piece them together in order to present an overall picture of the Chinese economy, to clarify the meaning of historically considering today's Chinese economy, and to deepen awareness of China. The four points to consider are as follows: to gain a detailed understanding of the historical development of the individual industries and sectors that make up the economy, to organize information on and present the actual production capacity and its changes, to clarify the factors of developing the production capacity, and to more thoroughly consider the state's role and trends in economic policy changes.

Chapter 1 focuses on China's areas, geography, population, urbanization rate, employment structure, and System of National Accounts in order to provide an overview of the long-term dynamics of the Chinese economy from a macro perspective. In recent years, Mr. Angus Maddison's long-term GDP estimates have often been referenced as important data in relation to China's System of National Accounts<sup>4</sup>. However, this chapter points out that there are some problems with Mr. Maddison's estimates and then advances the argument by relying on a database created based on Chinese economic statistics from 1912 to 2010 by a research group led by the Hitotsubashi University Institute of Economic Research<sup>5</sup>.

Chapter 2 focuses on the cotton industry, silk industry, milling industry, chemical industry, steel industry, and other industries to discuss modern industry's development process in detail and then presents three overall characteristics of development. The first is that light industry rapidly developed from the 1890s to the 1930s and that the heavy and chemical industries developed in earnest from the 1940s to the 1970s. The second is that light industry was initially led by the establishment of foreign-owned companies, which was followed before long by the introduction of Chinese capital and subsequent dominance of Chinese companies in many cases, and that the development of the heavy and chemical industries was driven by Japanese statutory companies and Chinese state-funded companies. The third is that, from the 1890s to the 1930s, the center of industrialization was Shanghai and other coastal

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<sup>4</sup> Angus Maddison, *Chinese Economic Performance in the Long Run: Second Edition Revised and Updated 960-2030 A.D.*, Paris: Development Centre of the OECD, 2007. and *The World Economy: A Millennial Perspective*, Paris: Development Centre of the OECD, 2001.

<sup>5</sup> Ryoshin Minami and Fumio Makino(ed.), *Asia choki keizai tokei: chugoku(Asian Historical Statistics: China)*, Tokyo: Toyo Keizai Inc., 2014.

cities as well as some cities in the Yangtze River basin, and there was a rise of modern industry in northeast and inland regions from the 1940s to the 1970s, but industrial development in coastal regions once again accelerated starting in the 1980s.

Chapter 3 focuses on railways, steamships, automobiles, and telegraphs to organize information on the modernization process of transportation and communication. The chapter discusses the railway-construction expansion process, trends in the operating income and expenditure of state-owned railways, changes in the cargo volume of railways, steamships, and automobiles, changes in the operating profits and losses of steamship companies, the telegraph spreading process, and other issues, and then lists three periods of rapid expansion: the 1850s to the 1870s, the 1890s to the 1900s, and the 1980s to the 21<sup>st</sup> century.

Chapter 4 focuses on the mining industry and energy industry. The first is the coal industry. From the early 1900s to the 1930s, the production volume of foreign-owned, Chinese-owned, and joint venture coal mines distributed mainly in the northeast region and North China was increased, and, during the Second Sino-Japanese War, an attempt was made to greatly increase the production of coal in Japan's occupied area and the KMT's domain. After the People's Republic of China was established, the government focused on the coal industry, and coal supported China's economic development as a major energy source during the period of reform and opening-up as well. The second is the oil industry. Before the 1950s, China was greatly dependent on imports. After the People's Republic of China was established, the country started developing some oil fields, such as the Daqing Oil Field, and strove to increase its domestic production volume, but China has once again started showing signs of relying on imports since the beginning of the 21<sup>st</sup> century. The third is the electric power industry. In the first half of the 20<sup>th</sup> century, the full-scale development of this industry was driven by foreign capital (mainly the USA and Japan), Chinese capital, and the Resource Committee of the National Government. After the People's Republic of China was established, rapid steps were taken to achieve nationalization and an attempt was made to improve the power generation capacity, but the supply of power remained insufficient.

Chapter 5 deals with the transformation of agriculture. This chapter emphasizes two points. The first point is that the expansion of agriculture focusing on the cultivation of commercial crops was an important trend. From the end of the 19<sup>th</sup> century to the 1930s, the production of commercial crops increased as a result of export trade and domestic industrial development, and there were policies intended to support this. Although this trend stagnated during the Second Sino-Japanese War period and the initial period after the People's Republic of China was founded, commercial crop production once again started growing in the late 1970s. The second point is that small-sized farming was important as a base for agricultural development.

Small-sized farming supported the expansion of agricultural production from the middle of the 19<sup>th</sup> century to the first half of the 20<sup>th</sup> century. In the second half of the 20<sup>th</sup> century, the communist regime collectivized agriculture, but, starting in the late 1970s, there was a shift in China's agricultural policies, which resulted in the revival of small-sized farming and increased production as a consequence.

Chapter 6 organizes information on transitions in commerce and the financial industry. Both of these saw a lot of development from the 1890s to the 1930s. Due to the progress of industrialization and the expansion of foreign trade, the commodity distribution amount rapidly increased, and modern banking activities picked up. However, from the 1940s to the 1970s, the state strengthened its control over commercial activities and financial institutions, and the country entered a phase of stagnation. Starting in the late 1970s, commerce once again showed signs of development due to the increased liberalization of product sales, the revival of many privately run stores, and other factors. Meanwhile, in the financial industry, an attempt was made to increase the diversity and activities of financial institutions, but the Big Four state-owned banks maintain a strong presence in China's financial market to this day.

Chapter 7 focuses on foreign trade and investment in China by foreign countries. The chapter organizes information on foreign trade based on statistical tables that cover the following: how the amount of imports and exports, trade balance, and trade volume have changed, how China's export amount as a percentage of the world's total export amount and China's trade amount as a percentage of the country's GDP have changed, and how the breakdown of traded goods, breakdown of trading partners, and breakdown of traded goods for each major trading partner have changed. In addition, based on the breakdown of goods traded between individual countries and China, the chapter points out that it is possible to catch a glimpse of the characteristics of the overall economic relationships between each country and China through a comparison with Japan and the USA from the 1910s to the 1930s. Regarding investment, the chapter organizes information on the following: how the amount of direct investment and loan amount from foreign countries have changed, how the percentage of direct investment in each industry has changed, and how investments by major countries and the percentage of those total investments have changed.

Chapter 8 discusses the transformations of the overall fiscal policy, currency system, and economic policy. More specifically, this chapter covers topics that include the following: the scale of state finances, how the weights of central and regional finances have changed, how central government policies have affected such changes, how the income structure and expenditure structure of central government finances have changed, the acceleration of trends toward monetary system (currency) unification heading into the Republic of China era, and the ideas and achievements of

key figures who led in the formation of economic policy. Based on the descriptions above, this chapter argues that the Nationalist Government period (1927 to 1949) was an important turning point for the course of the country's financial and economic policies and that there was already a diachronic policy orientation (such as an idea similar to an import-substituting industrialization strategy) that went beyond era-based political system differences.

As a conclusion, the final chapter argues that trends in the development of the modern Chinese economy can be divided into four phases. The first is the 1880s to the mid-1910s, when foreign trade and the inflow of foreign capital increased, the second is the mid-1910s to the 1930s, when there was import-substituting industrialization progress based on light industry, the third is the 1940s to the 1970s, when there was heavy and chemical industrialization based on the munitions industry, and the fourth is the late 1970s to the present day, during which time there have been efforts to revive private companies, introduce foreign capital, etc.

I would like to point out two notable characteristics of this book. The first is that this book discusses the development process of the Chinese economy in detail over the course of a long time line that spans approximately 150 years and includes three eras: the late Qing dynasty, Republic of China, and People's Republic of China. In general, 1911, 1912, 1949, and similar dates are identified as important turning points in terms of the modern history of China. However, the development process of the Chinese economy does not necessarily coincide with political system changes and regime changes. As shown by the four phases discussed in this book's final chapter, wars, increases in the inflow of foreign capital, and various other factors have had a major effect on the development of the Chinese economy. This book makes it possible to understand this in detail. In addition, the identification of the various factors that have affected the course of modern Chinese history is likely to leave one with an impression of the major potential of economic historical research.

The second characteristic I would like to point out is that this book actively incorporates the results into Japan's research of modern Chinese economic history. These research results include not only recent results obtained, starting in the 2000s (such as the description of the developmental history of the cotton industry, which portrays a close relationship between the pre-1949 period and later period instead of discussing them separately) but also the results from way back, such as a book that was published in the 1940s and dealt with the developmental history of heavy industry. This is an important factor that makes this book more unique, and it is meaningful in that it enables readers to efficiently gain a detailed understanding of the accumulated research that has been produced by Japan. It is also extremely meaningful in that it enables readers to gain an understanding of which literature is valuable and should be focused on in terms of modern Chinese economic history research, regardless of

whether the literature was published in the past or more recently. I would also like to emphasize that the research results incorporated into this book include not only recent research results written in Japanese but also high-quality research results written in Chinese and English. Naturally, when it comes to area studies, it is better not to rely exclusively on research results written in one language. In Japan, research results related to trends in the Chinese economy during the 19<sup>th</sup> and 20<sup>th</sup> centuries have been accumulated based on materials written in various languages since before the war. This particular characteristic of traditional Japanese research is apparent in this book as well.

There are also some points where I feel that there is room for improvement regarding the description. I would like to point out two in particular. The first has to do with the book's evaluation of the Nanjing National Government's economic policy. In chapters 2 and 8 of this book, the authors mention financial stability resulting from restored tariff autonomy, monetary system reform, and cocoon improvement, and they otherwise positively evaluate the Nanjing National Government's economic policy. However, in the final chapter, they mention that, from the mid-1910s to the 1930s, the state's role in economic development remained relatively minor. Although this expression could be interpreted as meaning minor compared to the 1940s and later, I suspect that more than a few readers will notice the gap between the descriptions in these chapters and the final chapter.

The second point has to do with the structure of chapter 2, which deals with China's industrial history. The end of this chapter has a statistical table that shows how the production amount of each industry as a percentage of the total manufacturing-industry production amount has changed. I suspect that it would have been better to put this statistical table, which makes it possible to easily see an overall picture of industrial development, at the beginning of the chapter and add an explanation. This would have given readers a chance to see this overall picture of industrial development first, which would have made it easier for them to understand the meaning of describing the specific transformations of each industry.

As described above, although I have some concerns regarding this book, that does not change the fact that I consider it highly valuable for the sheer amount of meaningful knowledge that can be obtained from it. It is highly recommended for a wide variety of readers, including not only researchers looking for a clue on how to deepen their research of modern Chinese economic history but also general readers who would like an easily understood overall picture of the course of the Chinese economy from the 19<sup>th</sup> century to the present day.