

English version gains by the insertion of a chronology, of a list of key protagonists, a well structured index of names and subjects, and last but not least by the insertion of 19 photographs. Hopefully, the paperback edition will make it easily accessible to all who wondered about unspoken contradictions and inconsistencies within modern Chinese history.

Angelika Messner

MARKUS TAUBE, *Ökonomische Integration zwischen Hongkong und der Provinz Guangdong, VR China. Der chinesische Transformationsprozeß als Triebkraft grenzüberschreitender Arbeitsteilung.* (ifo Studien zur Entwicklungsforschung, 31). München, Köln, London: Weltforum Verlag, 1997. XXV, 671 pages, DM 78,-. ISBN 3-8039-0467-6. Incl. a summary in English.

In 1997, Hong Kong became the first Special Administrative Region of the People's Republic of China. A process of close economic co-operation and integration of the former Crown Colony with China's southern province of Guangdong entered a new phase. But while most spectators concentrated on the prospects of Hong Kong's further development as an international centre of finance, trade and commerce, the underlying institutional arrangements were largely ignored. It is one of the great achievements of Markus Taube, a young economic researcher at the ifo Institute for Economic Research, Munich, to have cast light on this important topic.

Markus Taube's research focuses on three major questions: the transformation of the Chinese economy, the impact of institutional change on the relations between different economic systems and the development of the institutions of foreign economic relations in Guangdong. Relying explicitly and in great detail on economic institutional theory Markus Taube provides an accurate description of the economic exchange between Hong Kong and Guangdong from 1950 to 1995. The book offers profound insights into past economic developments and thus lays the foundation for a detailed analysis of recent changes within China as well as her relations with capitalist economies. Anyone interested in China's economic modernization and the role of institutions within this process will find this case-study most enlightening.

Using the tools of the institutional approach of modern economics, Markus Taube analyses the systemic differences between the two basic models of economic organisation, market economy and centrally planned economy. While economic interaction within these systems usually does not cause too many problems, transactions between market economies and centrally planned economies are not systematically regulated. Consequently, formal institutions such as property rights or accounting systems are unable to transmit the information necessary to achieve optimal outcomes. Where formal institutions fail, informal institutions are set up in order to erase intersystemic inefficiencies. But even in cases where informal institutions do work, they consume resources that could otherwise be used more efficiently. Hence the problems of intersystemic exchange affect economic outcomes and reduce the benefits of cross-border division of labour.

On this theoretical basis, Markus Taube analyses the major aspects of the economic relationship between Guangdong, part of a centrally planned socialist econ-

omy, and Hong Kong, one of the "freest" market economies in the world, between 1949 and 1977. He argues that the institutional deficit led to an under-representation of Hong Kong's interests and thus hampered co-operation.

In a first step, the author tries to explain the marginal progress in cross-border activities during the first 28 years with institutional deficits. He then turns to theory again, creating a – fictional – developmental strategy for transforming Guangdong's economy in order to match the requirements of the international division of labour. Comparing his model with actual developments, he then shows that the increase in trade between Hong Kong and Guangdong relies heavily on the reform of the price system in China's southern province. When prices were at least partly freed from administrative interventions, they could communicate the relevant information, thus enabling enterprises on both sides of the border to act more rationally and efficiently.

Consequently, the prospects for trade in goods boomed. In spite of a certain progress in financial reforms such as the liberalization of exchange rates, those steps were undertaken half-heartedly and, in the end, remained incomplete. Thus, monetary services did not develop the way they could have. Especially in the wake of the so-called Asian crisis a detailed description of the partial liberalization of Guangdong's financial sector provides much insight into the problems and challenges of China's modernization.

After his analysis of trade flows of goods, credits and investments, Markus Taube shows that the increase in economic exchange between Hong Kong and Guangdong can be explained by the re-arrangement of southern China's institutional framework. Pointing out other fields in which reform is still outstanding, he seems to foresee major shortcomings of China's financial institutions that became so apparent after the breakdown of institutions such as GITIC and the Hainan Investment Bank. As long as China refuses to treat national and foreign enterprises equally and to adopt international standards she will find it hard, if not impossible, to optimize her profits from the international division of labour. Further integration between Hong Kong and Guangdong, obviously already underway, might help to accomplish this task, which is both politically difficult and socially painful.

In addition to a stringent theoretical basis Markus Taube provides detailed information on a crucial problem of China's economic reforms. He manages to meet high theoretical standards while writing in a clear and straightforward style. The book certainly sets new standards in applying economic theories to problems of China's modernization.

Jörn-Carsten Gottwald

DANIEL DIRKS, JEAN FRANÇOIS HUCHET, THIERRY RIBAUT (eds.), *Japanese Management in the Low Growth Era. Between External Shocks and Internal Evolution*. Berlin et al.: Springer Verlag, 1999. IX, 438 pages, DM 129,- / US \$ 89.00. ISBN 3-540-64035-5 (Hb.)

After the bursting of the economic bubble at the beginning of the nineties, the Japanese economy entered a phase of continuous stagnation. Japan is undergoing its deepest and longest post-war economic recession. This crisis has had major effects