

*Emerging Capital Markets and Transition
in Contemporary China.*

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Masumi Hakogi ^(*)

The author explains that the purpose of this book is to capture the transition toward marketization in China, which focuses on (1) bubble phenomena and (2) internationalization.

As the author points out, the phenomenon of bubble occurs predominantly in a capitalist state. The coexistence of bubble and the Chinese economy, which is called the ‘socialist market economy’, a centralized system of one-party dictatorial system, is of interest, although the concept has often been used by people without much thought. Undoubtedly, we could recognize the author of this book considers them carefully enough.

Chinese internationalization has often been said as ‘go global’ strategy which is nothing else but national strategy. The focus of this issue is to ask whether or not there have been any characteristics in Chinese internationalization under the ‘socialist market economy’ system. It needs also careful considerations as the author of this book does.

This book has two parts and both parts have four chapters, which are detailed as following. The author examines the arguments on ‘bubble’ in the first part, which consists of ‘A Comparative Analysis of Chinese Bubble with Japanese Bubble’ (Chapter 1), ‘Bubble Phenomena and Path Dependence in China’ (Chapter 2), ‘State Capitalism and Bubble Phenomena in China’ (Chapter 3) and ‘A Political Economy of Systemic Transition and Bubble Phenomena: A Comparison of China with Hungary’ (Chapter 4). The author studies the arguments on ‘internationalization’ in the second part, which establishes ‘A Political Economy of Chinese Outward Foreign Direct Investment’ (Chapter 5), ‘Political Economy of Regional Integration between Yangtze River Delta Area and Chugoku District’ (Chapter 6), ‘A Political Economy of FDI, Integration, and Path Dependence’ (Chapter 7) and ‘A Political Economy of US-Japan Relations and US-China Relations’ (Chapter 8). Finally, the author appends the short ‘Concluding Remarks’.

In Chapter 1, the author uses the Grubbs-Smirnov test, which considers whether or not ‘abnormal value’ occurs from past time series data in order to catch an ‘early warning’ signal. As a matter of fact, when we recognize an abnormal value by that test and we could suspect the occurrence of a ‘bubble’ in advance, it could be possible to take effective countermeasures. We should appreciate it as the outstanding idea. On the assumption that appreciation, however, in order to play the role of ‘early warning’ early and steadily, it is necessary to define clearly that we could acknowledge the phenomenon as ‘bubble’ just when we observe ‘abnormal value’ in which variables and in which degrees. In present situation, we could not. Therefore, it stays in an ambiguous condition whether or not an assertion saying real estate bubble in Shanghai bursts is correct. We need more elaboration and sophistication of the idea.

In Chapter 2, from monetary points of view, in Japan we recognize less excess liquidity and in China we understand more excess liquidity. However, in Japan we clearly perceive the occurrence of the bubble and, in contrast, in China we could not recognize any signs of the occurrence of the bubble. What are the reasons? The author asks that question in Chapter 2. Undoubtedly, it should be perceptive. Simply saying, the author has a question asking how many times more of authority's ability of liquidity control than the speculator's ability of adjustment could be necessary. In that sense, it is still in the stage of the tentative assumption and we need more possibility of application to practical tasks.

The purpose of Chapter 3 is to get a perspective on the 'state capitalism' of China through the lens of the bubble phenomenon. It is often said that 'bubble burst' in China would occur recently. However, actually 'bubble burst' in China would never occur. The author insists that those situations on the 'bubble burst' should be understood taking into consideration the 'state capitalism' of China.

It is quite reasonable to recognize that if Chinese situation is understood as a bubble, China would be a capitalist state, but if China is recognized to be a socialist state, (although inflationary overhang could exist) bubble could not exist. Such author's attempt as to recognize Chinese system with an additional line (of bubble phenomenon) is extremely excellent. However, if the reviewer dares to point out on it, we expect clearer explanation on the Chinese system. Is the Chinese system completely revolutionary one in historical sense or could the system be understood within the 'existing framework'?

In Chapter 4, the author shows a viewpoint to examine whether or not the bubble burst, which is to capture the relations between capital coefficient and bubble burst. We could appreciate such distinguished viewpoint. At the same time, however, when we theoretically catch how many times more capital coefficient (even three times more empirically), we could certify the bubble burst. What are the reasons for it? We need more explanations towards more practical possibility of application.

In Chapter 5, the author insists that, related with Chinese outward FDI behaviors, the characteristics of Chinese marketization are undoubtedly different from the conventional way of market economy countries. Such way of recognition seems to be appropriate in both theoretical and practical sense. The remained task seems to be that, when 'heterogenous' China could become the hegemon under the 'unipolar system', what could become 'soft power' or 'smart power' to lead China to the hegemonic power. If the author has more clearer explanation about it, academic contribution of this chapter becomes much more marvelous.

In both Chapter 6 and Chapter 7, the 'FDI-trade' ratio is used for the author's analyses. To be sure, there are several factors to hinder or to promote capital movement such as culture, custom and tradition, institution, politics, history. We could highly appreciate the ability to analyze the complicated relations by applying the 'FDI-trade' ratio and the 'Path Dependence' concept. If the reviewer points out slight shortcoming on it, more explanations about the relations between the 'FDI-trade' ratio and the 'Path Dependence' concept might be necessary.

Chapter 8 is a portion to deal with presumably the most primary issue in contemporary international political economy. Actually, Ferguson and Schularick who wrote their "Chimerica" in 2007 published "The End of Chimerica" in 2009 (as their Working Paper). Also as Mearsheimer insisted in his book (2001), USA policies to China have been wrong and it is too late to make Chinese development go back and to deter the rise of China. The reviewer has no counterargument what the author insists that 'the bilateral relations between the United States and China would be in a sticky situation' and 'it is not self-evident that

Chinese national power would be growing in the future'. What the reviewer wishes is the author's reference on, first, 'the codependency of America and China' (Roach (2014)) and second, 'Japanese strategy' to adjust to such serious situations.

To emphasize repeatedly, it is undoubtedly true to appreciate that this is an excellent book derived from the author's creative ideas.

References

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(*) Masumi Hakogi: Emeritus Professor, Tohoku University.