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# BOOK REVIEWS

*The Growth of Market Relations in Post-reform Rural China: A Micro-analysis of Peasants, Migrants and Peasant Entrepreneurs* by Hiroshi Sato, London, RoutledgeCurzon, 2003, xv + 240 pp.

This book provides a detailed socioeconomic study of the process of marketization in rural China, its nature and effects. Its strength and originality lie in the solid empirical foundations. It is based on several case studies, most of which were designed and carried out by the author with particular hypotheses in mind. The empirical analysis is careful and meticulous. The overall effect is to provide a persuasive account of the ways in which rural markets have formed and operated.

How have the various economic actors—peasants, out-migrants, and entrepreneurs—responded to the opportunities provided by marketization? How have they interacted with local party and governmental institutions? How has the response varied across communities and regions? In particular, what roles do the various forms of "social capital"—human capital, political capital, and network capital—play in this process? The basic hypothesis is that the developing but still underdeveloped markets of rural China are a nexus of social networks. Individual economic behavior is embedded within an institutional and community framework. On one view, marketization involves the growth in importance of human capital and the decline of political capital. On another—favored by the author—political capital remains important because it provides access to market opportunities and strengthens social networks: marketization is a path-dependent process which sprang from the rural institutions of the pre-reform era.

The author argues that the rising income inequality in rural China is mainly due to differential access to nonfarm sources of income, and that possession of social capital is important in providing opportunities and access. This is influenced by three main factors: primary social networks (which help to overcome entry barriers to the urban labor market and the rural financial market); sociopolitical networks (which help family businesses to build markets, have access to credit, and become entrepreneurs); and the value of migration experience for the accumulation of network and human capital in rural business activities.

The author shows how sociopolitical networks assist family businesses to avoid risk, how social networks among out-migrants reduce the cost of migration through the exchange of information and mutual help, how the local party-governmental apparatus and the local community interact, and how local government utilizes social networks in its pursuit of policy. Regional diversity is analyzed in a comparative analysis. Differences in the forms and importance of social capital account for spatial variation in labor mobility and in patterns of rural industrialization.

The field-survey-based methodology employed throughout is fairly descriptive and shies away the econometric issues (required to establish causation as opposed to association among variables) that concern much empirical work in economics. However, it derives its credibility from the careful gathering and analysis of rich and detailed information. The main weaknesses are the lack of rigorous hypothesis testing and the lack of the dynamic analysis that will be made possible only by follow-up surveys.

The strengths and limitations of the methods employed are best illustrated by the case studies in two key chapters. Chapter 4 is concerned with the role of social capital in rural-urban migration. It utilizes four surveys, a representative urban survey of migrant households and three smaller surveys conducted by the author: a sample of Japanese-owned firms, a sample of households in several villages, and a particular day-laborer market.

Various related hypotheses are formulated and tested. First, migrants can use their education or their social networks to overcome entry barriers to the urban labor market. Human capital is more important for securing low-skill and high-skill jobs, whereas network capital is more important for securing middle-skill jobs, and for access to the state (rather than non-state) sector. Support for these hypotheses is obtained from cross-tabulations based on the migrant household survey. Secondly, it is hypothesized that social capital raises the income of migrants. Using proxies for the quantity and quality of social networks (the number of relatives and friends in the city, and whether there are Communist Party members among these), the author finds both quantity and quality to have significantly positive coefficients in the income function for the self-employed, but not in the wage function for the employed. Thirdly, social networks are used to obtain good jobs. Detailed interview-based evidence from the Japanese-owned firms illustrates how the migrant employees of a firm tend to have the same places of origin and how they are socially connected to each other. The rural household survey is used to compare two villages that are similar except in one respect: one has many migrants and the other very few. The explanation offered for this difference is that there was initial chance migration from the former village and subsequent information flows to its members. Fourthly, network capital is important in the market for day-laborers. The hypothesis is illustrated by examining a few individuals in that market. These cases suggest that migrants come in groups and use their social networks to share the risks of uncertain income, and that "labor-bosses" acquire their positions through their connections with local authorities.

The analysis of Chapter 4 is suggestive rather than rigorous or conclusive. It derives its credibility from the sheer accumulation of descriptive evidence, obtained from diverse sources, that social capital does matter for migrants. It could be strengthened, however, by means of more sophisticated methods (e.g., logit or probit estimates instead of cross-tabulations), by selecting larger and more representative samples, by providing more theoretical support for the hypotheses, and by enlarging on the interpretation of the results obtained.

Our other example of the methodological approach adopted in this book is the analysis of Chapter 6. This chapter uses conventional methods to compare income generation and access to economic opportunities in different villages. It is based on sample surveys of households in five administrative villages, each in a different province. Again, the object is to investigate the respective roles of human capital, political capital, and network capital.

There are sharp differences among the village economies, both in income level and in economic structure. However, in all five cases the decomposition of inequality by income source reveals that nonfarm income is more unequally distributed than farm income. Household income functions show that the education of the household head significantly raises both farm and nonfarm income. The author uses "arena of daily activities" as a measure of "human capital in the broad sense" and whether the household contains a member of the Communist Party or a cadre as a measure of political capital. Both variables have significantly positive coefficients in the case of nonfarm income. Logit estimates of the determinants of access to nonfarm employment indicate that human capital and political capital help in some villages but not in others. There is also indirect evidence that network capital assists access but, again, not in every case. The interpretation placed on these results is that the type of market development and the nature of local governance are missing variables that interact with the variables of greatest interest.

The approach of using mesoeconomic analysis, i.e., comparing different villages, is an interesting one, and one that has been adopted before in studying rural China. However, it is not entirely persuasive in this case. It might have been better to stick to the aggregate of all the households in the combined sample (with its larger sample size) in order to test the hypotheses relating to different forms of social capital. Village-by-village analysis can help to explain why the effects of these variables in access to nonfarm employment differ from one situation to another but the small number of villages available means that there can be only suggestive interpretations and not rigorous tests. Thus here, as elsewhere, the book opens up vistas for further research.

The broad conclusion of the book is that the social capital approach can be fruitfully adopted in development and transition studies. The market should be seen as an institution—as a nexus of social networks—but the institution can vary with the customs, norms, and social structure of the society as well as with the degree of market development. This approach is indeed in line with the trend among development economists to incorporate institutions and social capital into economic analysis. However, Hiroshi Sato is a frontrunner in his willingness to cross the conventional disciplinary boundaries and combine the social and political with the purely economic. (John Knight)

*New Development Strategies: Beyond the Washington Consensus* edited by Akira Kohsaka, Basingstoke, Palgrave Macmillan, 2004, xii + 308 pp.

This book is the result of an international joint research project on "Development Policies Outlook" conducted by the Institute of Developing Economies, Japan External Trade Organization, Japan, for the fiscal years 2000/2001–2001/2002. Past development strategies were reexamined based on the experiences of developing countries and the evolution of development economics in the 1990s.

The commonly shared premise of this research project is that the recent market fundamentalist view of development strategies, which simply seems to regard the liberalization of trade, investment, and financial flows as necessary and sufficient conditions for eco-