

Commerce and Capitalism in Chinese Societies. *By Gary G. Hamilton.* London: Routledge, 2006. xii + 309 pp. Figures, bibliography, notes, index. Cloth, \$135.00; paper, \$37.95. ISBN: cloth, 0-415-15704-8; paper, 0-415-15705-6.

Reviewed by Parks Coble

Commerce and Capitalism in Chinese Societies is a collection of previously published articles by Gary G. Hamilton, a leading authority on Chinese business history. The articles, several of which were cowritten, were published as early as 1977 and as recently as 2003. None were rewritten for this volume. As such, the primary contribution of this publication is to bring together in one convenient collection a series of wide-ranging articles suitable for use in a seminar class. And the topics are wide ranging. Part one includes four articles on China's preindustrial economy, while part two, with seven articles, takes up Chinese capitalism in contemporary Asia.

One interesting feature of such a collection is that it demonstrates how critical scholarly debates have shifted over the past three decades as new sources have become available, and it also shows how the enormous growth of China's economy has changed perceptions about its past. For instance, the oldest article in the collection (1977) deals with Chinese consumption (or lack thereof) of foreign commodities in the late imperial and Republican periods. Why did China purchase so few machine-made commodities from foreign sources when the unequal treaties precluded protective tariffs until the 1930s? Indeed, Britain's Lancashire textile manufactures commissioned such a study in the late nineteenth century. Looking primarily at cotton textile sales, Hamilton discusses several theories, such as marketing limitations, culturally based explanations, and theories of status competition, that might explain the lack of sales in China.

Yet the following chapter (done with Chang Wei-an and Chi-kong Lai) published in 2003 gives a different explanation. New research on the role of commerce in the late imperial period suggests an economy with dynamic merchant communities that was highly sophisticated and profit oriented. A series of branded commodities, such as Shaoxing wine, were widely distributed by regional networks. Hamilton compares these merchant networks to firms like Nike, which own no factories but contract out

manufacturing and exist as commercial and marketing enterprises. The response of these merchants to foreign textiles was to seize profits from the new availability of cheap, machine-produced cotton yarn. They utilized rural labor, often women working a single loom at home, to make cloth that was competitive with imported goods. When “modernization” in the form of railways opened up new markets and new labor sources, they rushed in to expand their business interests. In other words, a more contemporary reading of the question raised in the 1977 article, “Why did the Chinese not buy more foreign textiles?” is that the dynamic merchant groups of the late Qing era more effectively exploited the market. It is a slight disappointment that the author did not update the text with more commentary to highlight the changing nature of the debate over Chinese economic issues in recent years.

A great strength of this collection is Hamilton’s historical understanding. Many commentators on contemporary Asian economics lack such knowledge. In a magisterial chapter on Hong Kong and the rise of capitalism in Asia, Hamilton analyzes the entire history of the region from the nineteenth century to the present. He situates Hong Kong as the center of Chinese commercial and economic activity, well before it became an industrial center after the Communist Revolution. He postulates major distinctions between the politically driven industrialization of the Japanese Meiji leadership and the family-oriented firms of China, and he views the Chinese migration through Hong Kong as critical to its central role in larger Chinese commercial networks.

In his writing on contemporary issues, Hamilton criticizes much economic writing for emphasizing production at the expense of demand. While the global economy was dominated in the 1950s and 1960s by giant producer firms, such as General Motors and Ford, in recent decades marketing giants, such as Wal-Mart, or retailers, such as The Gap, that commission products but do not produce them have become dominant. In Hamilton’s view, the enormous U.S. trade deficit with East Asia after 1965 marked the growth of this demand-driven process, in which these retail giants began to contract out manufacturing directly to Asia. Firms in Hong Kong and Taiwan, which were generally smaller than those of Japan and South Korea, have responded more efficiently to the new economic opportunities, engaging in reflexive manufacturing. A rise in the value of Asian currencies then led many of the Taiwanese and Hong Kong firms to outsource to

the People's Republic of China. This process of demand-driven globalization continues until the present.

Hamilton devotes considerable attention to the nature of the Chinese firm, stressing its durability and success. Because the Chinese traditionally split family property among all sons, Chinese family firms tend to diversify laterally into different areas, rather than creating a single, vertically integrated company. This type of organization has served Chinese entrepreneurs well, enabling them to survive the Asian economic crisis of 1997 with greater success than the large conglomerates of Japan and South Korea. Chinese-type firms have used "opportunistic diversification" to become the driving force in East Asia's economy.

Some of the articles, like those on the Asian financial crisis, now seem a bit dated. There is also some overlap among the articles, as they were all published separately. Nonetheless this volume has much to recommend it. Hamilton is not shy about attacking conventional economic thinking. (One article is subtitled "What Alan Greenspan Does Not Know about the Asian Financial Crisis.") Thus, it is an ideal work to provoke student discussion. The author also supplies a substantial bibliography.

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