

The result is that all firms, even joint ventures for whom complying with more stringent standards would be relatively easy, operate in a lax regulatory environment. These are disconcerting findings for those who hope that China's embrace of global markets will hasten the adoption of stronger environmental practices.

One drawback to Gallagher's work is her limited focus. Her findings are based on three case studies in a single sector. All three cases involve American firms and there is no comparison with companies from other countries. Nor does she offer much in the way of explanation for her case selection, which means that it is fair to question just how much we can generalize from her work. How do we know the cases she presents are representative? Would the story be the same if she had more observations, looked at a different sector or interviewed foreign investors from other countries? Her findings are interesting, but it is hard to know what to do with them. As Gallagher suggests on the penultimate page, they are perhaps best considered hypotheses that await further testing in other sectors, companies and countries. In the meantime, they offer important food for thought, as Chinese policy-makers and environmentalists consider the best path to a future that balances economic growth and ecological sustainability.

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*China's Rational Entrepreneurs: The Development of the New Private Sector*, edited by Barbara Krug. London: RoutledgeCurzon, 2004. x + 208 pp. £60.00 (hardcover).

This book is a timely contribution to the growing number of studies dealing with China's rapidly expanding private business sector. As an edited volume it stands out in several respects. It brings together a group of authors who spent a considerable time researching the subject and doing fieldwork—some of it conducted jointly in Shanxi—in this ever more important sector of the Chinese economy. The quality of the individual chapters is evenly high and the chapters truly engage with each other. This is certainly helped by the fact that the editor (co-)authored five of the nine chapters.

In her introduction, Barbara Krug lays down the authors' common research agenda, which focuses on China's emerging business system comprising the formation of firms (entrepreneurship) and the institutions which coordinate market activities (p. 1). Although the study of business systems in China is still exploratory, the authors subscribe to a theory-guided approach making explicit use of transaction-cost theory, cultural studies and organizational ecology. The rationality referred to in the book's title does not imply that strict behavioral assumptions of neo-classical economics are applied. For the authors, rationality means calculated risk-taking on the individual level and satisfaction of various constraints on the corporate level, rather than simple utility or income maximization. The authors also place special emphasis on the founding of new

firms to identify their “genetic material” (p. 8) and on the uncertainty of the institutional environment which raises transaction costs. According to organizational ecology and given the uncertain environment, even if firms are established without proper risk calculation at the outset, the selection process will ensure that only the rational will survive (*ex post* rationality).

Chapter 2 by Gordon Redding, a pioneer in the study of distinctively Chinese forms of entrepreneurship, presents a theoretical treatise on rationality in management theory. Building on Max Weber and Richard Whitley, he constructs a framework of analysis that explicitly combines rationality and norm-based behavior (cultural traits) to study the evolution of business systems. Although not all the book’s authors follow each of Redding’s arguments, this model serves as a point of reference for subsequent chapters. In Chapter 3, Krug and Judith Mehta argue that certain characteristics of China’s transitional economy such as poorly functioning markets, incomplete property rights, a weak regulatory regime and institutional uncertainty gave rise to a special brand of Chinese “entrepreneurship by alliance”. Alliances are interpreted as transaction-cost-lowering devices necessary in this particular business environment. Although the argument is convincing, it is unfortunate that the key concept of alliance is nowhere defined. Thus, it is unclear if and how it differs from business partnerships, patron–client ties and other forms of social connections. A similar argument is advanced in Chapter 4 by Krug and László Pólos, who stress that uncertainty inherent in the transitional nature of the Chinese economy creates a “liability of newness” for Chinese firms and forces them into alliances. Based on this insight, they propose five hypotheses for further testing with more data. In my opinion, after almost three decades of economic reforms, it will be crucial in future studies to examine if and when this newness will begin to wear off.

Hans Hendrichske’s contribution (Chapter 5) is based on his research on privatization in Zhejiang and Jiangsu. Even though economic reforms in these provinces are more advanced and therefore institutions more secure compared to Shanxi, networks proved resilient. Therefore, he challenges the view that demand for networks corresponds to weakness of institutions and argues that networks can increase the demand for “‘fuzzy’ property rights” (p. 111). This explanation of networks as social rather than primarily economic phenomena is in direct contrast to the view expounded by Gabriele Jacobs, Frank Belschak and Krug in Chapter 8. These authors construct one model interpreting *guanxi* (social connections) as a web of extended family ties and another one which sees *guanxi* as instrumental exchange networks. They find that the latter fits their data better (their sample consists of 74 private enterprises in Shanxi, Zhejiang and Jiangsu).

Chapters 6 and 7 follow a somewhat different approach, as their analysis is not directed at private enterprises *per se*. Jane Duckett argues that the evolution of semi-legitimate businesses founded by bureaucratic agencies is shaped by the same characteristics as the development of the private sector. In particular, she points at increasing institutionalization of property rights as exerting a profound impact on this kind of state entrepreneurship. Her case-studies are drawn from Tianjin’s property sector and provide fresh insights compared to her earlier book. David S. G. Goodman also draws on long-term fieldwork in Shanxi province to

study the relationship between localism and entrepreneurship. Entrepreneurship, he contends, is not confined to owner-operators, but also rests with managers of state-owned enterprises, urban or rural collectives and other forms of ownership. He demonstrates that this wider group of entrepreneurs draws on a discourse of localism, including local commercial traditions from the Republican era, to legitimize their business ventures. Again, locality-based networks play a crucial role in the establishment of firms.

Instead of presenting a conclusion, Krug wraps up by sharing some reflections on doing fieldwork in China. As well as an amusing read, this chapter is rich in advice for empirical research and provides other researchers with a point of reference to judge their own experience. Throughout the book the authors use short case-studies of individual firms of entrepreneurs to bring their subject to life.

In sum, this volume is an excellent contribution to the study of the Chinese private sector and it will provide an indispensable baseline for future efforts in this field. While it is too early to say which interpretations will prove to have a lasting influence, the authors raise a number of issues that will have to be discussed in future works on this subject. In short, the book is a must-read for anyone seriously interested in the study of China's rising private economy.

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*Developing a Competitive Pearl River Delta in South China under One Country-Two Systems*, edited by Anthony Gar-on Yeh, Victor Fung-shuen Sit, Guanghan Chen and Yunyuan Zhou. Hong Kong: Hong Kong University Press, 2006. xxxviii + 567 pp. US\$49.95 (paperback).

This is a very ambitious book, addressing the significant issue of competitiveness in the Pearl River Delta (PRD) region. Its size is impressive, totaling 567 pages and 26 chapters. It provides a wealth of information, theories and ideas. While wide-ranging, the book focuses on the theme of "competitiveness" and aims to identify the constraints of regional integration. It reveals that achieving cooperation is an important issue in regional competitiveness.

The issue of city-region integration is very hot in the literature. The Greater Pearl River Delta, with a population of 47 million, is probably the largest metropolitan region in the world. The Hong Kong-PRD region is an excellent example of an area where officials are trying very hard to bring about integration through comprehensive and strategic planning, economic measures, environmental intervention and institutional and legal systems of governance. Together, thirty-six contributors to this book who are active researchers living in the PRD region examined economic development, social development, environmental development, infrastructure and transport development and institutional and legal development.