
Economic historians have long labored to explain the mechanisms behind economic growth. Social scientists engaged in explaining political economies of development have typically assigned far more prominent roles to policy making. More unusual are political economy studies that formulate an argument about a recent economic development experience and argue that the principles explaining it are the same as those found in prominent approaches to economic history, thereby proposing an interpretation of economic history scholarship in light of more contemporary developments. Yuen Yuen Ang achieves precisely this with her new interpretation of China’s economic development path. Her key conceptual innovation is to bring complexity theory into the study of economic growth. Rejecting causal models typified by regression equations, she says economic development emerges from a co-evolution of development strategies and markets.

The core of this book’s new research materials are some 400 interviews made between 2006 and 2015 with officials who were responsible for shaping the development efforts in three Chinese locales. Ang combines these rich sources with a clear interpretation of policy formulation at the center and the types of goals set in order to influence as often as control local official behavior, an approach that enables multiple responses to similar challenges by those most knowledgeable about local situations and thus best placed to make effective decisions. In brief her argument is “Poor and weak countries can escape the poverty trap by first building markets with weak institutions and, more fundamentally, by crafting environments that facilitate improvisation among relevant players.” (p. 16). She concludes from material in one of her case studies that emerging markets stimulate strong institutions and then strong institutions preserve markets (p. 46). Her argument might appear to be a distinctive elaboration on “virtuous circle”
arguments which address complex chains of events with feedback loops. But such a characterization doesn’t quite capture the logic of adaptation she reconstructs for China’s several decades of economic development.

Her explanatory framework offers an architecture for what she calls the meta-institutions of “directed improvisation,” (p. 17) created through three related processes of variation, selection, and niche creation. Variation concerns the center’s desire to enable local officials to pursue initiatives best able to create growth given conditions they know far better than those in the capital. From observation of local responses the center then designs national reform packages that proceed incrementally but achieve broad transformative outcomes through the breadth of their scope. Selection concerns how the center rewards local official successes by evaluating them in ways similar to those used by corporations for their CEOs; this creates bold and highly entrepreneurial local officials prone to corruption—what others have called decentralized or fragmented authoritarianism Ang characterizes as a “franchising mode of decentralization” (p. 64). Niche creation begins with a recognition that regional inequalities mean that places develop at different rates and fit into a larger market-integrated economy that connects first movers and those that follow. She thus offers an explanation for varied regional outcomes produced by the same processes of coevolution of government policies and market development.

Ang’s account of Chinese reform era economic development offers both critique and creative use of some important arguments made by economists who have influenced much current research in economic history. Regarding Daron Acemoglu and James Robinson’s arguments (Why nations fail: The origins of power, prosperity and poverty. New York: Crown Publishers, 2012) she says, “The observation that many poor nations fail because they suffer
troubled histories and bad starts is correct, but by itself not particularly surprising. What is harder and more useful, instead, is to explain why some nations succeed despite ominous starting points and daunting odds, as witnessed most dramatically in China’s rise from a socialist backwater to a global powerhouse since market reforms began in 1978.” (p. 3). She finds evidence of a co-evolutionary argument in both John Wallis’s explanations for antebellum American public finance development (John Wallis, “Constitutions, corporations, and corruption: American states and constitutional change, 1842 to 1852,” Journal of Economic History 65.1 [2005]: 211-56) and Avner Greif’s approach to the growth of late medieval-early modern European trade (Avner Greif, “History lessons: The birth of impersonal exchange: The community responsibility system and impartial justice,” Journal of Economic Perspectives 20.2 [2006]: 221-36., though neither of these economists explicitly appeals to the notion of co-evolutionary economic change. In the book’s concluding chapter she finds in Wallis the development of laws on public finance promoting “taxless” finance though the use of state-issued charters and loans for infrastructure projects that promoted a boom in infrastructure building, massive sales of land, and high rates of economic growth in the 1830s, a panic in 1837, and bank defaults on payments to state governments in summer 1839, resulting in halted construction projects, falling land prices and additional defaults. In the 1840s states change their laws to govern incorporation, constrain public borrowing, and begin the move toward benefit-based taxation. From Greif’s work on informal reputational mechanisms at the heart of community responsibility systems (CRS) she follows the dissolution of these systems that had been common in the 12th and 13th centuries; wealthy merchants reduced political support for CRS as they had reputations they deemed too vulnerable to collective sanctions. This move created the spaces to create courts and formal mechanisms of justice—the same institutions
stressed in much of Douglass North’s work. Regarding North directly, Ang highlights his view of the basic purposes of public policy “Put simply the richer the artifactual structure the more likely are we to confront novel problems successfully. That is what is meant by adaptive efficiency; creating the necessary artifactual structure is an essential goal of public policy.” (p. 15 quoting Douglass North, *Understanding the process of economic change*. Princeton: Princeton University Press, 2005: 70). For Ang, the meta-institutions responsible for China’s remarkable capacities for adaptation highlighting the constructive role of the bureaucracy will not suffice for the future because the challenges the country will face are very different and in her view demand enabling diverse social actors in new ways, even if this doesn’t mean adopting political institutions familiar in the West: “It is simplistic to assume that such a change has to involve formal democratization. It is would also be unimaginative to think that we have exhausted all possibilities of political systems, that is, either multi-party democracy or single-party autocracy.” (p. 249).