

Graeme Browning, *If Everybody Bought One Shoe: American Capitalism in Communist China* (New York: Farrar, Straus & Giroux/Hill & Wang, June 1989), 189 pgs., hardback, \$18.95. Reviewed by E. Calvin Beisner.

China has been every merchant's dream for centuries: a quarter of the world's population as potential customers. The possibilities for profit are staggering. But for centuries merchants have dealt with unique obstacles in trading with China. And after 1949, when the Communists took over, the dream turned to a nightmare. The doors slammed shut, seemingly forever.

Until 1979. Then, with a flourish, China threw open its doors. It invited foreign businesses to enter joint ventures with (mostly state-run) Chinese companies and to sell (mostly through state-run companies) to the Chinese people. The dreams turned rosy again.

But will reality match the dreams? If the experiences of most American firms operating in China in the past ten years foreshadow things to come, not likely.

Financial journalist Graeme Browning tells these firms' stories in fascinating style in *If Everybody Bought One Shoe: American Capitalism in Communist China*. The majority of the book is built on interviews with American executives who tried--or are still trying--to do business in joint ventures in China. Most of the stories are of high hopes crippled or crushed by harsh reality. All of them are of American businessmen meeting obstacles they never could have imagined in their worst nightmares.

The horror stories are impressively consistent: workers so undernourished they can't stay awake on the job, so undisciplined they won't work when they can, so used to being taken care of (the "iron rice bowl" syndrome) that they figure (usually rightly) they needn't work, so unskilled and lacking in tools that they can't work productively even when they want to; bureaucracies so tangled they're almost impenetrable, bureaucrats so corrupt that nothing gets done without bribes; a legal system so infantile that contracts are unenforceable and almost never fulfilled; an infrastructure so fractured and undeveloped that getting from place to place by rail, air, phone, or road takes many times longer than in almost any other part of the world--if it can be done at all. One wonders, after reading the book, why anyone bothers to try to do business with China.

The answer is obvious: even if everybody in China bought only one shoe, that would be half a billion shoes sold. The potential market is so huge that companies that can afford to look far into the future almost can't afford to ignore it. If they possibly can, they want to get in on the ground floor of relations with China.

But that potential market must not be mistaken for a real market: the yuan (the Chinese unit of currency) is not exchangeable into dollars on the world market. And even if Chinese per capita annual take-home pay were around \$450 (a generous estimate; the real figure is nearly impossible to estimate with any degree of accuracy), the resulting \$450 billion annual market would be only about 15 percent of the size of the American market, with its mere 240 million people. And at that, the vast majority of Chinese income must be spent on matters of mere survival--items that now make up only a small part of the total American economy. To make matters worse, even companies that get in on the ground floor can have no rational sense of security, because they never know when even that ground floor will cave in under them: the Chinese government could at any moment nationalize all investments, close the doors to trade, raise taxes to confiscatory levels, invalidate all contracts.

The market, despite its great potential, is presently incongruously small and frightfully

shaky. There is plenty of reason to doubt that it will develop into a major market in less than fifty years. Its track record certainly gives no grounds for confidence: At best, productivity in China's state-owned industry grew by .7 percent per year during the last two decades, when the rest of Asia was booming; at worst, it shrank by .2 percent per year. (The difference in estimates, both made by the same World Bank economist, demonstrates another frustration of doing business in China: there's no consistent accounting and pricing system, so estimating economic performance is nearly impossible.) Nonetheless, if, against all odds, the Chinese market does surmount its seemingly insurmountable barriers to growth, it will become so huge that many businessmen find it hard to resist the temptation to take the risks involved in entering the China trade now.

If Everybody Bought One Shoe, while not consciously polemical, has the interesting side-effect of revealing the reasons for the failure of socialist central planning to engender a healthy economy. It lacks the incentives necessary to get people to do the bare minimum for survival; it lacks the information processing mechanism to distribute resources according to needs; it lacks the flexibility to support innovation.

The book is informative, well researched (but poorly documented and with no index), and up-to-date. It deals with a country that has been, for most Americans, a mystery, yet could become one of our major trading partners and competitors in the next century. Anyone could gain understanding of China by reading it. Certainly anyone considering doing business in China and who isn't already an expert on the subject could profit from reading it.

This review was published in *The Freeman*, vol. 39, no. 11 (November 1989), 455-6.

E. Calvin Beisner, Ph.D., is national spokesman for the Cornwall Alliance for the Stewardship of Creation (www.CornwallAlliance.org). He is formerly associate professor of interdisciplinary studies at Covenant College (1992–2000) and of historical theology and social ethics at Knox Theological Seminary (2000–2008).