

**Ronald Coase's Englishness and Steven Cheung's  
Chinese<sup>\*</sup>**

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## **Ronald Coase's Englishness and Steven Cheung's Chineseness**

### **Abstract**

Coase once remarked that “a theory serves as a base for thinking,” but he never explained explicitly what he meant or developed the idea. Cheung, a friend of Coase for several decades, has inadvertently taken up the task. With his widely read literary economic essays, Cheung forcefully demonstrates the analytical power of economics and almost single-handedly launched a unique literary tradition in the Chinese-speaking world. If the economist can help improve the efficiency of resource allocation by advising policy makers, then his helping the general public to acquire the *economic way of thinking* would have an even more profound impact. As such, Cheung's endeavors are meaningful to both the profession and the development of economics.

**Keywords:** Ronald Coase, Steven Cheung, Englishness, Methodology

**JEL classification:** A11, A20, B31, B41.

## Ronald Coase's Englishness and Steven Cheung's Chineseness

### 1. Introduction

The main focus of this paper is Steven Cheung and his Chineseness, but Cheung and his Chineseness can be fruitfully illustrated by Ronald Coase and his Englishness.

Coase and Cheung have been close friends for several decades.<sup>1</sup> In his Nobel Prize speech, one of the first economists Coase (1992) referred to was Cheung; correspondingly, Cheung (1989a, 2001a) has indicated on several occasions that among the many economic greats, his thinking is closest to that of Coase. Their long and fruitful friendship marks an interesting page in the history of economic thought; it constitutes the backdrop, but not the center stage, of this paper. This paper argues that Coase's Englishness points to a task which his position indicates but which he never takes up personally. Then, by linking Coase to Cheung through their acquaintance, the endeavors of Cheung in the Chinese-speaking world are described. Finally, Cheung's unique accomplishment is assessed and its implications to the development of economics are illustrated.

Two points, however, can be made at this stage. First, economists usually assume three different roles: as a researcher, a policy advisor, and a teacher/preacher. As a researcher, the economist endeavors to accumulate economic knowledge; as a policy advisor, the economist helps to improve efficiency in resource utilization through his advice; as a teacher/preacher, the economist teaches his students in the classroom as well as preaches to the general public at large. Coase's contributions have centered on his role as the researcher, for he has added tremendously to the intellectual asset of economics. By contrast, one of Cheung's contributions, as will be argued below, lies in the unique endeavor he exerts as a preacher of economics, achieving in the Chinese-speaking world something that is likely to be inconceivable for economists in the West. He laid the foundation of a new literary style in Chinese, thus developing a powerful medium through which the gospel of economics can be spread. Furthermore, his widely acclaimed *sermons* have covered a very wide area, including various non-economic subjects, and in doing so he has secured for economists the status as valuable participants in discussing *all* public policy issues.

Secondly, of the various roles of economists, the focus has always been on those of the researcher, the policy advisor, and the teacher in the past. But as economics has

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<sup>1</sup> Cheung named his son Ronald, for obvious reasons, and Coase was greatly pleased.

become a mature science, the contributions of economists in these roles have arguably diminished to the point of becoming incremental and fragmentary. By contrast, the role of economist as preacher to the general public has mostly been neglected, and if the goal of economist as policy advisor is to help improve efficiency through proper policy advice, then educating the general public to think like an economist is arguably a more fundamental way to improve efficiency in resource utilization, materials and otherwise. This is because, in the long run, resources utilized by the general public are evidently of a much larger order of magnitude than those affected by policy makers. In this respect, Cheung, with his Chineseness and its implicit characteristics of a traditional Chinese intellectual in mastering literary skills and commenting on a wide range of social issues, has bridged the gap between the ivory tower and the general public. Cheung's achievements as a preacher vividly demonstrate that there is a vast sphere towards which economists can devote their talents, for the marginal product of economist as preacher may be much higher than that of economist in the other roles. Thus, if resources should flow to the most valued destination, Cheung's efforts and what he has accomplished clearly have important implications for the economics profession.

To appreciate Cheung's unique endeavors in the Chinese-speaking world, the best starting point is Coase and his Englishness.

## **2. Ronald Coase's Englishness**

Coase's Englishness was first noted by Stigler (1988, p.159) in his memoirs, as he indicated that "Coase is English to the tips of his fingers." Then, Judge Posner (1993, p.204) offers an even more vivid portrait of Coase's distinct character:

Although he has lived in the United States since the middle of 1950s and wrote 'The Problem of Social Cost' here, he is as much an American as a nineteenth-century Englishman in the Indian Civil Service was an Indian.

While it is difficult to pin down what Englishness exactly means, as far as Coase is concerned, it is related to the facts that he writes in beautiful prose and does not like mathematics; that he emphasizes theoretical simplicity and theory's relevance to the real world; that he has a keen sense of as well as interest in history; that he emphasizes inductive over deductive method in reasoning. In addition, Coase (1982; 1994, pp.16-7) once suggested that "A theory also serves as a base for thinking. It

helps us to understand what is going on by enabling us to organize our thoughts.” It is an insightful observation, but interestingly it also shows Coase’s methodological inconsistency.

Specifically, Coase (1988, p.4) once argued that “a higher (relative) price for anything will lead to a reduction in the amount demanded. This does not refer to a money price only but to price in its widest sense.” The statement does not specify what non-monetary prices are, but his message should be crystal clear. For those waiting in the long line at the gas station, the queuing time is a non-monetary price; for boys courting girls, and vice versa, the thoughts and energies involved constitute a non-monetary price. That price can be interpreted generally and that (economic) theory serves as a base for thinking indicate that Coase’s methodological stance is in fact that of an expansionist.<sup>2</sup> Economic analysis is applicable not only to economic activities that involve money, but human activities in other areas as well. In a certain sense Coase has borne out this stance. In ‘The Market for Goods and the Market for Ideas,’ Coase (1974a; 1994) uses the market for goods as a parallel to illustrate the meanings of the freedom of speech in the market for ideas. Similarly, in ‘Economists and Public Policy,’ Coase (1974b; 1994) likens the economists offering policy advice to the purveyors selling their wares. Both articles share the characteristics of being intuitively simple and closely related to reality, and they also demonstrate convincingly that the price theory indeed has very wide applicability.<sup>3</sup>

Strangely and unfortunately, however, Coase is not consistent in his methodological stance. In ‘Economics and Contiguous Disciplines,’ Coase (1978; 1994) states that he opposes economists’ move into areas such as law, political science, and sociology. He believes that economists would not enjoy, in the long run, comparative advantage in these non-economic areas. His argument in a sense negates the contributions of Buchanan, Becker, and Posner, among others, in their path-breaking and widely acclaimed work; it also runs counter to his own methodological position set out in his other papers, as explained previously. The inconsistency is difficult to explain. Due perhaps to his sense of history and his deep admiration of Adam Smith, he somehow believes that there is a boundary for economics and that economists should not over-step the boundary, for in the world of

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<sup>2</sup> For a discussion of the expansion of economists into other disciplines, see Lazear (2000).

<sup>3</sup> The argument here that Coase’s methodological stand has traces of those of an expansionist may seem to rely too much on his remarks that “A theory also serves as a base for thinking.” That is, one might argue that what he meant was that economic theory serves as a base for thinking about economic problems. But the article in which he makes this remark is a refutation of Friedman’s well-known 1953 essay on methodology. Friedman’s argument is not restricted to economic theory, neither is Coase’s discussion of it.

Adam Smith there was no public choice, economic sociology, or law and economics. As indicated by Posner (1993, p.208), however, “There must be something wrong with this view.”<sup>4</sup>

Consequently, even though Coase writes in beautiful prose, emphasizes theoretical simplicity and theory’s relevance to reality, argues that (economic) theory serves as a base for thinking, and, not the least, his analytical approach has great generality and wide applicability, arguably wider than that of Becker’s famous maximization approach<sup>5</sup>----that is, even though Coase has all the qualities to be a successful preacher of economics and to be able to influence the general public in their way of thinking----he has not been an outstanding economic preacher. The outstanding economist preacher, at least in the Chinese-speaking world, turns out to be his friend Steven Cheung.

### **3. From Ronald Coase to Steven Cheung**

Cheung was born in 1935 in Hong Kong, and after graduating from high school, he entered the University of California at Los Angeles (UCLA) in the US for his undergraduate and graduate studies. He spent a couple of years at Chicago, first as a post-doctoral visiting scholar and later an assistant professor, and then moved to teach at the University of Washington at Seattle. In 1982, he left the US and returned to Hong Kong, taking up a chair at the University of Hong Kong. He held the chair until his retirement in 2000.

On the surface, Cheung’s experiences in the US have been rather normal, for similar paths of studies and work are shared by numerous others. But because of his unique personality, what he went through was anything but normal. A few examples suffice.<sup>6</sup> As a graduate student in Alchian’s class, Alchian once announced that the topic to be discussed for the next meeting would be unemployment. Cheung went to the library, borrowed *all* the books on the subject and went through them *all*. When Alchian asked the students at the beginning of the next meeting what they thought about the issue, there was long silence (because all the books in the library had been checked out by Cheung.) Finally, Cheung broke the silence by exclaiming that “I have

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<sup>4</sup> Mäki (1998) has a different assessment of Coase’s methodology.

<sup>5</sup> Hsiung (2001) argues that Coase’s analytical approach is more general and more applicable than Becker’s well-known maximization approach. See Hsiung (2000, 2003, 2004) for related discussions of Coase’s methodological approach. Demsetz (1998) has an overview of both Coase’s work and his analytical style.

<sup>6</sup> Another illustrative story is the following: When he was at UCLA, he sat in Hirshleifer’s course in price theory, found the course interesting and Hirshleifer’s way of thinking insightful, and then began to sit in for the course over and over again, for a total of six times! Cheung (1989a, p.254).

no particular views on the issue, but I do know that previous writers on the subject have all been wrong.” According to Cheung, Alchian was greatly pleased by the remark.<sup>7</sup> In addition, when Cheung moved to Seattle to teach, he purposefully chose to live near the sea, so that there was a brook running through his backyard into the sea. The setting allowed him to observe in close range the life cycle of trout and salmon, first striving upstream to lay eggs and then returning to the sea, and to think about the property right issues concerning the free swimming fish in the open sea.<sup>8</sup>

The above examples show amply that Cheung has two personality traits: he has a great sense of curiosity, and he commands a very independent personal style. For an academic pursuit, the traits could become valuable assets. None the less importantly, however, is the fact that Cheung was involved during the golden years of the Chicago School. Even though the final verdict in the history of economic thought is yet to be written, there is little doubt that the most dynamic, explosive intellectual endeavors in economics of the twentieth century were taking place in the 1960s, and Chicago was the center of all the excitement. The movements of economists into political science (Buchanan and Tullock, 1962), sociology (Becker, 1957), and law (Coase, 1960; Posner, 1973), not to mention the revolution within economics concerning information (Stigler, 1961), were all occurring within the decade, and were all directly or indirectly related to Chicago. Cheung stayed in Chicago between 1967 and 1969. He got to know the leading economists there, was immersed in the intellectual excitement, and made important contributions himself to the theory of property rights. Among the numerous economic greats at Chicago, Cheung found Coase the most congenial.

Even though Cheung has claimed that his thoughts are closest to those of Coase, actually their views are drastically different on many issues. For instance, Coase opposes the idea of utility maximization, but Cheung supports it;<sup>9</sup> Coase criticizes Friedman’s position that predictive accuracy is more important than being realistic in assumptions, but Cheung sides with Friedman;<sup>10</sup> Coase argues that trying to falsify a theory is often futile, but Cheung speaks in favor of the falsification test.<sup>11</sup> Notwithstanding the differences, what they agree upon turns out to be more important. Coase repeatedly stresses that theory should not be separated from reality; Cheung talked to apple growers and bee keepers before penning the classic ‘The Fable of the

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<sup>7</sup> Cheung (2001a).

<sup>8</sup> Cheung (1989a, pp.30-39).

<sup>9</sup> Coase (1988, p.5) and Cheung (2001a).

<sup>10</sup> Coase (1982; 1994) and Cheung (2001a).

<sup>11</sup> Coase (1982; 1994) and Cheung (2001a).

Bees.’<sup>12</sup> Coase emphasizes theoretical simplicity; Cheung argues that, “Social phenomena are so complicated, and the only way to explain them is to use simple concepts.”<sup>13</sup> Coase has very little use for mathematics; Cheung’s work contains essentially no mathematics, except for the few equations in his dissertation. Coase writes in beautiful prose; Cheung’s writings are known to be fluid and sharp.

Most importantly, Coase and Cheung share a common interest in the property right issues. Coase’s two most influential papers can be unified by the theme of property right; Cheung’s work from his dissertation onward can also be interpreted with a similar theme. In short, as far as Cheung is concerned, his acquaintance with Coase has been a fruitful one, and the fruits of their friendship are a series of insightful, widely praised papers for Cheung. When he left the US in 1982, he was already an accomplished economist, and a drastically different world was lying ahead for him to explore.

#### **4. The World of Steven Cheung**

In the Chinese cultural tradition, men of letters, i.e., the intellectuals, have two distinct characteristics: They are good at literary skills, for the essays they write reflect their talents as well as their learning. Secondly, as the educated class and cream of the society, they are looked upon for wisdom and guidance concerning worldly as well as spiritual matters; therefore, the articles they write cover essentially all subject matters.<sup>14</sup> Cheung was raised in this cultural tradition, and was certainly influenced by it. His Chineseness in literary skills and his ability to comment on a wide range of issues may not suit the highly specialized economic profession in the West, for the division of labor and pressure for publication might make it difficult to have a breathing room for non-academic writings.<sup>15</sup> But when Cheung returned to Hong Kong, his Chineseness potentials were ready to shine.

#### **The Work**

The launch of his personal column in 1983 in the *Hong Kong Economic Journal*

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<sup>12</sup> See Cheung (1973). By contrast, to write the famous ‘The Lighthouse in Economics,’ Coase (1974c; 1988) consulted mainly historical materials. An obvious reason is that he was dealing with a historical issue concerning lighthouses; but a glance of his collections (Coase, 1988, 1994) shows that Coase has devoted more time to historical than empirical or contemporary materials.

<sup>13</sup> Coase (1994) and Cheung (2001a, original in Chinese).

<sup>14</sup> A famous quote of Confucius in this spirit is that “A *Jun-tze* [cultivated, virtuous intellectual] should not be limited [in learning or temperament].

<sup>15</sup> There are obviously exceptions; Becker, Krugman, and Barro all have written widely read columns in popular publications.

(*HKEJ*), a daily, marked the beginning of Cheung's career as an economist/preacher. The institutional structure of his endeavor, however, needs to be explained. Two notable facts are important. To begin with, for all newspapers published in Chinese, having a literary page is almost a must, a practice that is rarely seen in the West. The literary page contains poems, essays, short novels, serialized Kong-fu or love stories. There are usually a few columns written by noted writers, but the remaining space is open to submissions from the public. The literary page is widely read, as it is often the place where general sentiments of the time are expressed in literary forms that are shared by the readers. In addition, the *HKEJ* is unique in itself. One way to describe it is that it can be seen as *The Wall Street Journal* of Hong Kong, in terms of nature, quality, influence, and readership. The publisher, Shen-Mu Lam, is a Cambridge educated economist and has been writing a daily editorial virtually non-stop for more than two decades. He also publishes numerous general articles in the newspaper about economic theories and the history of economic thought.<sup>16</sup>

With these as the backdrop, Cheung was invited to write a column for the *HKEJ* in late 1983, and the first article appeared on 29 November. Cheung has a prolific pen, and writes on average seven to eight articles every month, with approximately 2500 words in length for each. His column was an instant hit. When the articles were later published as books, they became best-sellers. Later on, Cheung was invited by other publications to contribute articles, and from 1993 he switched the column to the newly launched weekly, *Next Magazine*. Concurrently, his essays were reprinted in China by a widely circulated weekly, *The Economic Highlights*, and later by other popular publications. Cheung's essays, books, and public speeches as well as lecture tours have made him a very well-known public figure not only in Hong Kong but also in China. To say that he is the most famous economist in the Chinese-speaking world is an exaggeration, but to say that he is the most famous *Chinese* economist does not seem to do justice to his stature in the Chinese-speaking world.

Cheung's writings in his columns cover a very wide spectrum. Coase's lighthouse appeared in a few articles, so did his own experiences of breeding trout in Seattle; he described how, on the eve of the Chinese New Year, he peddled orange pot plants in the streets, and thus gained a first-hand experience of the price spread; the institutional adjustments of Communist China, Hong Kong's educational reforms, and the delicate relationship between Taiwan and China repeatedly appeared in his writings. In addition, he discussed how to choose books for readings as well as how to

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<sup>16</sup> As of the beginning of 2005, his editorials and the other articles have been published as 90 collected volumes.

read books, and explained, in a series of articles, the proper way of thinking. He also discusses photography and calligraphy.

Seen abstractly, Cheung's articles have two characteristics. On the one hand, he applies price theory to a wide array of issues, but, unlike Coase, he never explicitly states that (economic) theory serves as a base for thinking. On the other hand, the issues his pen touches on go beyond economic ones---as illustrated by his discussions of the similarity/difference between Deng Xiao-ping and the singer Teresa Deng (the two-Dengs), the British civil servants in Hong Kong, etc.----and when he deals with these various subjects, he is essentially not approaching them as an economist *per se*. Instead, his analyses of these *non-economic* issues from a *non-economic* perspective are best seen as those by a well educated, learned intellectual with a keen observation and a sharp mind. Cheung's Chineseness, the self-assumed sense of responsibility of a conventional intellectual in commenting on issues of public concerns, is exemplified in these non-economic and non-economically written articles.

## **The Man**

Cheung has many talents. In addition to being a renowned economist, he has been credited as a good photographer and a fine calligrapher; he designed, built, and opened a restaurant in Seattle with significant commercial success; he even once won the Canadian National Table Tennis Championship.<sup>17</sup> Though he has many virtues, modesty is definitely not one of them. His immodesty is not only supported by widely circulated stories among his fellow economists, but easily verified by clear-cut documents----for his own writings provide ample evidence.

For instance, he suggests that game theory was initiated by a footnote in a paper he published in 1970, as he states that, "Unexpectedly, the footnote was the launching pad of the game theory that is nowadays prevalent in the economics profession." Cheung (2001b, p.150)<sup>18</sup> He believes that it was his article that brought Coase's 1937 article back to life, as he indicates that, "I pointed out in my article... that Coase's 1937 article, 'The Nature of the Firm,' did not explicitly mention contracts, but the contents of the article were about contractual choice. With this very point, Coase believes that I was like his soulmate; and this very point brought his 1937 article back to life from the coffin such that everyone in the profession becomes aware of it." Cheung (2001b, p.152) He argues that Buchanan et al. did not make major

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<sup>17</sup> Cheung (1989b, 2001a).

<sup>18</sup> The original quote is in Chinese; the same for the following quotes.

contributions to the theory of the state, and that he himself has developed a satisfactory one: “Over the past twenty years, theory of the state has gradually become a recognized field in economics, with J. Buchanan, G. Stigler, G. Becker, H. Demsetz and others as active contributors, but none has made significant contributions... I once ... developed a theory of the state, and was satisfied with it.” Cheung (2001a) Moreover, he does not deny that since 1969, he has not read much of the work by other scholars, for “I like to sail the strange seas of thought alone, and have seldom read other people’s publications with the seriousness they deserve after I left Chicago in 1969.” Cheung (1998, p.515) More recently, he was quoted as saying, without hesitation, that “[My] *Economic Explanations* in many respects surpasses the greatest economic treatise in history---Adam Smith’s *The Wealth of Nations*.”<sup>19</sup>

For his colleagues and acquaintances, his narcissistic temperament must have caused difficulties (and thus offers bountiful materials for the circulated, often juicy, stories), but for the thousands and thousands of non-economist readers, Cheung’s dominating, self-centered, self-congratulatory, and even self-aggrandizing writing style may actually be a plus, for it is often a pleasure to read something that is not bound by the trivialities of the everyday life, something that is larger than life. Cheung is proud of himself, and the readers seem to indulge and adore him.

## **Accomplishments**

Cheung’s academic writings virtually ceased after his return to Hong Kong, and the impact for the little that was produced has been dwarfed by that of his earlier writings.<sup>20</sup> But his non-academic writings, those essays he writes for the columns in the popular press, have been path-breaking and have interesting implications for the development of economics.

More specifically, his accomplishments in the Chinese-speaking world are twofold. First, his column articles have created a new literary style that has been recognized by the literary critics and widely praised----the genre of the literary economic essay. It is not only a combination of beautiful prose with analytical economic concepts, but also a bridge between the economist/preacher and daily experiences of the general public. In a sense and with some exaggeration, Cheung has been like a combination of Adam Smith and Francis Bacon, with the added ingredient

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<sup>19</sup> *21CN Business Herald*, p. 22, Sep. 3, 2001.

<sup>20</sup> His only major academic writing after his return to Hong Kong, Cheung (1983), has been cited frequently in the literature, but Cheung explained that he had been thinking about the issue for almost thirteen years before writing the article; see Cheung (2001a).

of being able to echo the readers' experiences in real life. It is an accomplishment in both economics and literature.<sup>21</sup> Secondly, even though Cheung has not explicitly taken the position that (economic) theory serves as a base for thinking, and even though some of his topics and perspectives have nothing to do with economics *per se*, his pen has been a daring one. Through its magic, the readers are brought to see mundane issues in a new light. For the tens of thousands of readers, Cheung has earned a very special status not only for himself but for economists in general. The readers would look upon them for analysis, opinions, or even guidance for any matter of public concern; and there are endless such matters. Economists are no longer detached egg-heads isolated in the ivory tower, but someone the readers, i.e., the general public, can consult or even rely on as a source of meaningful reference.

What Cheung has achieved is not only significant in the Chinese-speaking world; it stands well with that of the economic greats of the West. Stigler's literary and scholastic talents may very well surpass those of Cheung, but Stigler was little known outside the economics profession. Becker's column in the *Business Week* and Krugman's in *The New York Times* allow them to reach very large audiences, but the literary flavor and the scope of issues covered by the columns are more limited than those of Cheung.<sup>22</sup>

However, even if Cheung has accomplished significantly in the Chinese-speaking world, his accomplishments would have been a splash or a sparkle of rare combinations of personal characteristics and special circumstances, accomplishments that will soon fade away, if no successors are to take up the torch. Fortunately, Cheung has attracted many followers, for the new literary economic essay has already occupied a unique position in the Chinese-speaking world. In Taiwan, mainland China, and not the least Hong Kong, many professional economists have contributed to writing literary economic essays, and collected works have been published to warm reception. A few pieces of information are indicative. First of all, in 1996 two essays in this literary genre were selected to become a chapter of the textbook for Chinese language in high school in Taiwan. That essays written by an economist would become materials for a language textbook marks an interesting footnote for both economics and literature. Secondly, starting from 1999, the weekly *Economic Highlights* in China, in order to boost the influence of the new literary style,

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<sup>21</sup> Cheung has been quoted (Wang, 2001) as saying, "The literary economic essay was invented by me; before my *The Words of an Orange Seller*, there was no literary [economic] essay." But Jan (1995) seems to have recognized this ahead of Cheung himself.

<sup>22</sup> Cheung's writings cover a much wider range than those of Barro (1996), Thaler (1992), and Landsburg (1993), and his articles appear more frequently than weekly columns. In a sense, his writings are close to those in *Dance for Two*, by Lightman (1996), a physicist--essayist.

started to hold an annual national conference/competition for literary economic essays. Finally, *Teahouse for Economists*, a quarterly general magazine published in Chinese, was launched in 2000 in Peking to great success. Current and even past issues regularly appear near the top of the Top Ten lists in book stores.

Thus, if spreading the economic way of thinking to the general public is a worthwhile task, then the literary economic essay launched by Cheung has made itself a persuasive, reader-friendly medium. Moreover, in the Chinese-speaking world, economists, through the literary essays they write, have become something special among the social scientists.

### **An Explanation**

Cheung's accomplishments and the phenomenon of the literary economic essay in the Chinese-speaking world call for an explanation. The possible explanations can be divided into Cheung's personal qualities and the supporting conditions in the environment, that is, factors on the supply side and those on the demand side.

Consider first Cheung's own qualities. When he started his column in the *HKEJ*, he was already a well-known economist; he took part in the most exciting period of the development in economics of the twentieth century, and has been rubbing shoulders with some of the giants in economics for years; his personal experiences have been unique, colorful, and interesting; he commands a sharp and prolific pen. When he returned to Hong Kong, no other economists in his age group shared similar experiences or characteristics, and this is true not only in Hong Kong but in the whole of the Chinese-speaking world. He was in a unique, privileged position.

Now consider the characteristics of the environment. Due to its geographical location, Hong Kong has fittingly become one of the few places where the spirit of capitalism has been developed to the fullest extent possible. As a result, there is understandably potential demand for economic knowledge. Cheung's articles contain not only economic knowledge but intellectual and literary ingredients as well, not to mention materials that are closely related to the daily experiences of the readers. Furthermore, the return of Hong Kong to China and the interlocking relationships among Hong Kong, Taiwan, and China are subjects the readers care about. Therefore, Cheung's articles strike an inner-most chord in the hearts of Hong Kong's readers. For readers in China, two additional factors work to Cheung's favor. As China started to open up from the 1980s, both internally and externally, the whole society was

practically in a state of intellectual vacuum, following decades of rigid, dogmatic education that was propaganda at best and brain--washing at worst. Consequently, the demand for Cheung's articles was even more earnest in China. Furthermore, Cheung claims that, while facing opposition from notable economists like Theodore Schultz, he accurately predicted the turning of the tide towards capitalism in China.<sup>23</sup> This certainly adds to Cheung's appealing to the readers in China.

Finally, there is an interesting combination of subjective and objective factors. Specifically, the Chinese-speaking world consists of societies that have been influenced by the traditional Chinese culture; and just like societies under the influence of any other long lasting cultures, these societies (China, Hong Kong, Singapore, and Taiwan) follow various customs and traditions that have been handed down through generations. As the common law tradition can be satisfactorily explained by simple economic concepts, the Chinese traditions and customs can also be given an illuminating explanation in a similar fashion. For someone who is well versed in the price theory of the Chicago School, Cheung is in a natural position to carry out the task. By suitably modifying the famous Chicago trademark position that "What is, is efficient," Cheung has been able to come up with a slightly different but arguably more persuasive stance that "What is, is *constrained* efficient."<sup>24</sup> For readers brought up in the Chinese societies, the intuitive and intellectually interesting interpretation often speaks to the bottom of their hearts.<sup>25</sup>

## 5. Assessment and Implications

Cheung's articles are the harbinger of a novel literary tradition in the Chinese-speaking world; the place of literary economic essay has been secured and its influence is still on the rise. The phenomenon is interesting for both economics and literature. Its meanings as well as its implicit message for the development of economics are worthy of careful examination. But an assessment of his writings is in order.

### Assessment

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<sup>23</sup> Cheung (2001a).

<sup>24</sup> For example, Cheung (1989a).

<sup>25</sup> The origin of Tullock (1967), an influential paper in the rent-seeking literature, offers another telling example. He observed the rent-seeking phenomenon while working at a US consulate in Tien-jin, China, but was unable to come up with a theoretical explanation. After returning to the US and working with Buchanan, he became familiar with economic analysis and wrote the seminal paper. Similarly, an independent analysis of rent-seeking was developed by Krueger (1974), and it had to do with her experiences in India. That the rent-seeking literature was initiated with observations in China and India, two traditional, customs-bound societies, does not seem to be mere coincidence.

There is little doubt that Cheung has become a phenomenon with his literary economic essays in the Chinese-speaking world; the phenomenon asks for a critical assessment concerning the nature and the merit of his popular writings. To make an assessment, however, value judgment is inevitably involved, which in turn implies that both the *persons* making the judgment and the *criteria* employed to make the judgment become relevant. That is, one has to be explicit about who is to make the assessment and what criteria are to be used. Concerning Cheung's literary economic essays, there are two obvious groups in making an assessment: his economist colleagues, and the general readers.

Economists in general have employed various criteria in making assessment, and two well-known criteria are associated with Friedman and Popper. Specifically, Friedman (1953) argues famously that to judge a theory is to see whether the theory predicts well; being realistic in assumptions is not critical. Alternatively, Popper (1959) suggests the far-reaching falsification test. For a theory to be considered scientific, it must be subject to falsification with empirical data. Furthermore, a theory can be proved by the data to be false, but it can never be proved to be true. By comparison, the general readers are not likely to care about whether reasoning can be falsified. Neither do they care very much about whether what they read would yield correct predictions, for most articles are not directly related to prediction. For the general readers, reading is related to more practical concerns: the articles are interesting, they learn something new from the articles, and/or the articles help them in facing the world around them. Therefore, Coase's (1982; 1994, pp.16-7) position may be more relevant to the general readers: "A theory also serves as a base for thinking. It helps us to understand what is going on by enabling us to organize our thought;" quoted previously. To assess Cheung's literary economic essays, the two different groups of economists on the one hand and the general readers on the other hand should be kept in mind, similarly for the two groups' respective criteria.

To begin with, for his economist peers, the literary economic essays Cheung writes are not academic, scholastic works, as such the essays do not go well with either Friedman's or Popper's criteria. The reservations and criticisms his economist peers have towards Cheung, in the Chinese-speaking world at least, have mostly directed at his lack of academic output upon his return to Hong Kong. That Cheung verges on being boastful in some of his non-academic writings (e.g., claiming that a footnote in one of his papers launched game theory, or that his book surpasses *The Wealth of Nations*) certainly does not help. But the reservations and criticisms have

been made against Cheung *the economist*, and made by his *economist peers*.

For the general readers, Cheung's literary economic essays seem to well suit the criteria they employ. Two examples are illustrative. First, when Cheung started his column with the *HKEJ* in 1983, a few of the articles he wrote early on were about *common pool resources*. He recounted the story of Coase's article on the lighthouse, explained the free swimming salmon in the open sea, and recalled his memory in Seattle of watching the salmon swimming upstream to lay eggs. Jan (1995), CEO of the Taiwan based Cite Group and an economics major himself, describes his experience of reading these articles as seeing something "shockingly fascinating." What Cheung discusses is essentially a simple theoretical concept in economics. But for Jan and numerous general readers, the idea of *common pool resources* is attractive not because it is related to prediction (Friedman) or falsification (Popper); rather, it helps the general readers to understand the nature of various things such as parks, museums, public beaches, subways, free ways, etc. For readers in Hong Kong in particular, the concept is closely related to their daily experiences of living in a densely populated city. For readers in mainland China, they have been through the Cultural Revolution and have lived on the collective farms; common pool resources, tragedy of the commons, and the free-rider problem are not theoretical terms but something they can associate themselves with concerning their intimate personal experiences. As Cheung is an expert on property right issues and frequently writes on these matters, matters that readers in Hong Kong and mainland China are deeply concerned with, his articles echo the readers' experiences, help the readers to organize their thoughts, and give the readers a unifying framework to face the world around them. Therefore it seems natural that the readers warmly respond to his writings.

As another example, on 4 May 1988 Cheung published a newspaper article titled 'What's Wrong with Doing Shoe-shining?' Coase (1989b, pp.15-20) The background of the article is that a few students of Peking University, the number one university in mainland China, try to do shoe-shining on the streets to earn some money for their room and board; however, a few members of the Politburo consider it a disgrace---to the country---and ordered it banned. Cheung then recounted his own college experiences in the US of working at various jobs to earn his tuition and living expenses; he considered it to be a fulfilling and valuable experience. Afterwards, he compared the *ideological education* prevalent in mainland China with the so-called *valuable knowledge* as taught in the West. Finally, he argued that with private universities, competition and the market mechanism would come into play in full force, to the benefits of both the students and the universities. That the article was

published on the anniversary of the May Fourth Movement, an important incident occurring in the beginning of the Twentieth Century for which Peking University was the center, may have been just a coincidence. But for the general readers, the contents of this article are interesting (the bureaucrats are against the students' doing shoe-shining), informative (the potential connection between private universities and market competition), and thought provoking (how would universities provide *valuable knowledge*). Friedman's predictive accuracy or Popper's falsification test are obviously not of major concerns for the general readers.<sup>26</sup>

Consequently, concerning his non-academic writings, Cheung *the economist/researcher* has been criticized by the group of his economist peers, for good reasons. By contrast, Cheung *the economist/preacher* has been vindicated and well received by the group of the general readers. The two very different assessments coexist, perhaps a fitting scenario considering the composition of the two groups and the corresponding criteria adopted by the respective groups. In economic terminology, this can be seen as a *separating equilibrium*, as the economists and the general readers are two distinct groups; they employ different criteria to make an assessment concerning Cheung and reach different conclusions. In Cheung's own terminology, this may be considered as a situation that is *constrained efficient*. Whatever the terminology used, Cheung's popular writings vividly illustrate Coase's remark that "[A theory] helps us to understand what is going on by enabling us to organize our thoughts."

## **Implications**

The success of Cheung and the literary economic essay in the Chinese-speaking world can be attributed to a rare combination of several factors; similar circumstances may not arise in other times and places or in other languages. But the phenomenon has straightforward implications for the development of economics.

As previously indicated, Coase once remarked that (economic) theory serves as a base for thinking, but he never made it clear what he meant exactly. Interestingly, after several decades' of research in economic history and the award of a Nobel Prize,

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<sup>26</sup> This is not a paper that focuses on methodology *per se*. For insightful discussions about Friedman's and Popper's positions, see Coase (1982; 1994) and Caldwell (1991). But practically speaking, clear-cut empirical works are usually hard to come by. In view of this, perhaps economists should be more forgiving in their assessment of Cheung's lack of empiricism. After all, his thinking came from a well-established economic paradigm. The following quotes by Caldwell are especially illuminating: "Both proponents and critics of falsificationism concur that it is difficult to obtain clean tests of hypotheses;" (p. 27) "Falsificationism captures a recognizable *part* of scientific activity, even within economics. But it is only a part." (p. 28, emphasis original)

North reached a surprising conclusion. He now believes that on the surface what determines the performance of a society in the long-run is the institutional matrix of this society, but the more fundamental determinant is in fact the *mental construct* of the general public.<sup>27</sup> Put alternatively, the way the general public thinks is the underlying factor that affects the institutional matrix and the human behaviors within the matrix. North, however, did not suggest further just how one may help the general public to have a better way of thinking.

By contrast, Cheung inadvertently struck the missing link. Cheung's purpose in writing the column articles may have been simply to illustrate the powerfulness of the price theory, to demonstrate how brilliant he is, to influence Hong Kong's public policies and China's road to capitalism, or for some other reasons. But regardless of the motivation, the status of the literary economic essay that Cheung initiated has been secured. To influence the way of thinking of the general public, so as to increase efficiency in resource utilization, the literary economic essay is clearly a possible and potentially effective medium.

Alternatively, of the economist's various roles (researcher, policy advisor, and teacher/preacher), the modes for researcher, policy advisor, and teacher have long been cast, and the marginal product from assuming these roles has declined and become fragmentary, incremental. In sharp contrast, economists have just taken up recently the role as preacher to the general public, and the potential for productive work is immense. Economists' efforts in this endeavor are exactly those of the entrepreneurs, in terms of trying to be innovative and bearing risk.

Consequently, as indicated above, one of economists' fundamental beliefs is that economic analysis helps increase the efficiency of resource utilization, and their various policy recommendations are based on such a firm belief. But if the economists can improve efficiency by influencing public policies or the decision-makers of public policies, then helping the general public to think like an economist will bring about similar result. Considering the relative magnitudes of efficiency improvement that these two endeavors are likely to produce, trying to influence the general public is evidently the more important one. The task of helping the general public to have the economic way of thinking, however, raises a series of questions. Two of the questions immediately come to mind. First, there seems to be no obvious consensus among economists currently about what constitutes the *economic way of thinking*, or the *world view of economics*. For it is clear that the usual way of thinking by the general

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<sup>27</sup> See North (1990) and North and Denzau (1994).

public is something they have formed in the socialization process when growing up, and the precise contents of the usual way of thinking as opposed to the economic one have to be more clearly identified. Secondly, a transition from the former to the latter cannot rely on theoretical concepts and mathematical models only, for practical, realistic materials that one can relate to one's daily life must be employed.

It is true that the proper means or medium to convey the economic way of thinking does not seem to come about naturally. That Cheung and the literary economic essay have been successful in the Chinese marketplace of ideas is due to a combination of several factors, and one of which is the unique literary page in Chinese newspapers. In other languages and cultures, such a fertile soil may not be readily available, even though economists elsewhere may be as talented as, or even more talented than, Cheung. The success of the literary economic essay in the Chinese-speaking world, however, shows that there is in fact potential demand for Cheung's *everyday economics* that integrates economics with the daily experiences of the general public. This being the case, the incentive structure of the economics profession may not attract economists to devote their time or efforts to preaching, and the lack of proper medium further impedes the potential supply.

A middle ground on which potential supply can meet potential demand may be possible, however. In particular, journals published by the major economic societies (e.g., *Journal of Economic Perspectives*, *Southern Economic Journal*, *Economic Inquiry*, and *Economic Journal*) may find it fruitful to publish annually a special issue devoted to materials similar to Cheung's literary economic essays. Then a regular publication for such materials could spin off to become a separate journal, and finally this may evolve into a periodical that is suitable for the general public. Judging from the immediate success of the *Journal of Economic Perspectives*, the special issue and even a special journal is likely to find a warm audience among economists as well as the general public. That the Chinese quarterly publication *Teahouse for Economists* often reaches the Top Ten list is an encouraging piece of evidence. As an alternative, since most of the functions served by the *Journal of Economic Literature* have been shifted to either the *Journal of Economic Perspectives* or to the internet, it can very well be converted into a literary journal for economics/economists, with the name of the journal now being given a new and more fitting interpretation.

## **6. Conclusion**

Coase has been viewed as the best English economist of the twentieth century after

Keynes, and has been noted for his distinctive Englishness in his academic works. In parallel, Cheung, arguably the most famous Chinese economist, and his endeavors in the Chinese-speaking world are closely related to his Chineseness. While Coase has suggested that (economic) theory serves as a base for thinking, he never interpreted or developed the idea. In the case of Cheung, he has not expressed a similar position, but has, perhaps by sheer coincidence, successfully illustrated this position. Although there is a lack of vigorous empirical support in his literary economic essays, as academic critics had rightly pointed out, Cheung nonetheless spoke from a well-established economic paradigm. The literary economic essays he almost single-handedly established has become influential in the Chinese-speaking world, though the phenomenon and its implications on the development of economics seem to have escaped the attention of economists in the West.

Finally, there is no causal relationship between Coase's Englishness and Cheung's Chineseness, but their respective uniqueness may contain a common message: The cultural environment and the personal traits of economists constitute parts of the institutional structure of their production, and if Coase's and Cheung's pioneering works in this area are of any indication, they should be carefully studied.

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