

Unfortunately, he spent more time on some of the more insubstantial ones, such as *The Economist*. As much as this reviewer enjoys seeing criticism of a magazine that trumpets transparency while not revealing the identity of its journalists, a better use of the book's limited space would have been to engage more fully with sophisticated optimists, such as Stephen Green and Nicholas Lardy.

Pettis needs to address Lardy's argument that consumption has been higher for the past decade than he believes (10 per cent rather than 7 per cent at the extremes), which means that it is not necessary to lower growth to 3–4 per cent in order to rebalance. Pettis in chapter two makes his case for low consumption, but fails to explain why he thinks Lardy's consumption growth rates are incorrect; if they are not, then transitioning to a consumption-oriented economy will not require growth to plummet. Moreover, Pettis should decide what he actually thinks the rate of consumption is. On page 30, he says it is 7–8 per cent and on page 40 he claims 7–9 per cent. Given the amount of data Pettis provides on the plummeting household consumption as a percentage of GDP, I am inclined to agree with him, but a head-to-head comparison of the figures with Lardy would be helpful.

These seemingly small differences in consumption actually may matter. Yukon Huang, Pettis's Carnegie colleague, in a recent piece in *The Financial Times* describes the consumption growth as having been 8.5 per cent (and agrees with Pettis that it is not going to go up any faster) but he sees 6 per cent future growth. Of course, even at 6 per cent growth, China is heading for trouble given the very high debt accumulated by the state.

While Pettis deserves praise for his wide-ranging historical take on financial repression and economic development, one can quibble with his case selection. His contention that "... the period of growth was interrupted in every case either by a debt crisis and many years of negative growth or by a lost decade of very slow growth and burgeoning death," is generally true, but does not hold for Taiwan. Thus, it would have been helpful to explore this divergent case. After all, Pettis acknowledges that Korea and Taiwan (and possibly Chile) are the only economies that managed to grow for long enough during the 20th century to join the rich-country club.

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Township Governance and Institutionalization in China

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As the lowest administrative level of state power, township government occupies a unique position, offering an important dimension from which to understand state–society relations, politics and rural development in contemporary China. In this creative and informative book, translated from the original Chinese, Zhao engages in theoretical analysis and field research to probe systematically and dynamically the problems faced by grassroots government. His core argument is that the only way for grassroots governments to solve their problems is through institutional reforms that establish autonomous governance, promote democracy and enforce the rule of law.

The book is divided into nine chapters, beginning with an introduction that discusses the basic background and analytic framework of the research, and offers a concise summary of the entire book. Chapter one addresses the progress of township governance studies with a policy analysis and literature review in the context of the reform era. Zhao designed the current research in a novel way to combine analyses of township institutions and cadre behaviour with discussions of three dimensions: township governance, the relationship between grassroots governments and society, and the interaction between upper-level governments and grassroots governments. Based on data collected from surveys and interviews with township and village cadres and villagers in over 20 townships from ten provinces in 2004–05, the study highlights the complicated situation faced by township governments during this period, when taxes and fees reforms were first introduced in rural areas in conjunction with other reforms, including township mergers, institutional restructuring, reformation of the fiscal system, and compulsory education. Combined, these situated township government at a crossroads of dilemma and change.

The second chapter explores the structure of township government and argues that the current organizational and personnel reforms have not achieved their original objectives. After 20 years of reform, township government is still understood to have constantly increasing numbers of personnel with no real organizational streamlining. Chapter three analyses the fiscal standing of township governments, including the debt crises faced by certain governments. Based on his substantial fieldwork, Zhao concludes that “the key problem in township finance is not the issue of lack of money but the lack of an effective budget system” (p. 143).

Chapter four focuses on the power structure and accountability system in township government, finding that the former is fragmented and incomplete, while the latter is weak and divorced from the needs of peasants and rural society. Chapter five discusses the control system in which, under the current cadre evaluation system, higher-up governments play a decisive role in evaluating grassroots government leaders while popular participation is not effectively involved. This results in a disconnect between the trust given to grassroots government by upper-level cadres, on the one hand, and by peasants, on the other, and is considered the core problem of township government. Chapter six discusses public services provided by township governments. Although they are a basic function of township government, these public services are found by the field survey in this book to be very poor and far from meeting the demands of peasants. Zhao attributes this to the facts that peasants’ impact on public services delivery is limited and that “the government fails to position public services at the center in its actual functioning” (p. 209).

Chapters seven, eight and nine explore prospects for reform, analyse problems faced by township governments, and attempt to propose a fundamental solution based on a systematic and historical analysis. Zhao attributes various problems faced by township governments to “institutional alienation,” which refers to how an “institution works or operates against its original goals” (p. 285). In chapter nine, Zhao concludes that institutionalizing government, as a key solution for “institutional alienation,” should also provide a breakthrough with respect to the reform of systems and structures in grassroots governments.

Together, these chapters offer a fascinating and multi-faceted overview of current township governance in contemporary China in vivid detail and provide an excellent basis for further research. I have learned much from this impressive book. As Zhao is an influential member of the leading policy research and

consulting institution, the Development Research Center of the State Council (DRC), and a well-known expert in Chinese rural studies, he is able to exploit both his familiarity with government's practical operations and his theoretical knowledge, which adds depth to his fieldwork. Zhao successfully utilizes case studies and offers a general theoretical explanation that is compatible with local experiences in rural China.

I also like the translation, which generally conveys the meaning of the Chinese edition in a readable manner. However, I wish that this English edition had avoided certain translation errors which may confuse readers. For example, the English translation includes the sentence, "Xu advocates the model to abolish the county government and change it to the agency of the county" (p. 47), whereas in the Chinese edition Xu does not advocate abolishing county governments but rather suggests replacing the township government with a county agency. Notwithstanding these problems, the book effectively addresses Chinese rural study across multiple disciplines, including politics, sociology and public management. Combining Zhao's renowned normative knowledge of this subject with his experience as a distinguished policy consultant, this book is well written and will be of great interest to both scholars interested in Chinese rural study and policy makers who are responsible for translating discourse into action.

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Institutional Change and the Development of Industrial Clusters in China: Case Studies from the Textile and Clothing Industry

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In *Institutional Change and the Development of Industrial Clusters in China*, Jinmin Wang focuses on the institutional dimension of SME cluster development in East China, and examines how institutional change affects the formation and development of textile and clothing clusters in Zhejiang Province through three case studies – the Ningbo clothing cluster, Shaoxing textile cluster, and Yiwu socks cluster. The author distinguishes between informal, formal and international institutions, and argues that "the evolution of political and economic institutions determine the economic performance of transitional economies eventually because they create an incentive structure of the whole society. The evolution of the institutional matrix has had great impact on the formation and growth of industrial clusters in the course of regional development in rural China in transition" (p. 6). To analyse industrial cluster development in China through an institutional dimension is indeed a fresh angle and is one of the key contributions of this book.

Since the start of reform and open-door policy in 1978, China has opened up to the foreign market and undertaken many market-oriented reforms, such as ownership structure change, land reform, price reform and labour market reform. Wang's book highlights two unique institutional factors: institutional entrepreneurship and the commodity trading market. Indeed, dynamic and entrepreneurial local government is very important for the success of numerous industrial clusters in China because it helps to address the key market failures at initial stages. This has been