

College of Asia and the Pacific, The Australian National University

Review

Reviewed Work(s): A Chinese Economic Revolution: Rural Entrepreneurship in the Twentieth Century by Linda Grove

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A Chinese Economic Revolution: Rural Entrepreneurship in the Twentieth Century, by Linda Grove. Lanham: Rowman & Littlefield, 2006. xiv + 305 pp. US\$66.00 (hardcover).

A Chinese Economic Revolution is a detailed historical study of rural industry development in the district of Gaoyang in Hebei Province. Gaoyang is to the southeast of Beijing, 150 kilometers from Tianjin, and a short distance from Baoding, the former provincial capital of Hebei. The book documents the history of the Gaoyang textile weaving industry from the early twentieth century to the present day, during which Gaoyang industry went through three discontinuous phases of growth. The first phase started in the late 1930s and ended with the Japanese invasion; the second phase began at the end of the war and lasted until the Communists' investment in the state-owned sector squeezed out small-scale rural industries, and the third phase began when China launched economic reforms in 1978. Linda Grove describes how the entrepreneurial talents in Gaoyang have revived remarkably after each downturn, to remain vibrant until the present day.

This book is a valuable source for scholars who study the history of small-town and rural industry development in China. It is able to cover a long time span by drawing on multiple sources of information, including prewar survey data (provided by the Nankai Institute of Economics), Grove's own oral history interviews and survey with factory workers, and archival sources of the Gaoyang Chamber of Commerce.

However, it remains more an ethnographic study of Gaoyang rural industrialization than a source that addresses the wider experience of these critical issues in developing China. After providing fine details of Gaoyang, Grove seldom places her findings in the context of other major China studies that address similar issues. This is not to say that she has not done sufficient secondary research, but the references to secondary materials are often hidden in endnotes. When references to other studies are made, they are not always the most appropriate. Her analysis of Gaoyang's model of entrepreneurship—driven by private initiatives and informal finance, as well as by subversion of discriminatory state policies—suggests a strong resemblance to the “Wenzhou model” in Zhejiang Province, as discussed by Chris Brammall in “The ‘Wenzhou’ Miracle: An Assessment” (in P. Nolan and F. Dong [eds], *Market Forces in China: Competition and Small Business—The Wenzhou Debate* [London and New Jersey: Zed Books Ltd, 1989]) and Yia-Ling Liu (“Reform from Below: The Private Economy and Local Politics in the Rural Industrialization of Wenzhou”, *The China Quarterly*, Vol. 130 [1992], pp. 293-316). The much-cited “Wenzhou model” celebrates private entrepreneurship financed by borrowings from family, friends and underground money houses, and flourishes in spite of government policies discriminating against private firms. Private business owners in Wenzhou have employed tactics similar to those described here (p. 224), such as registering the businesses as “collectives”, to get around the lack of state recognition for

private entities. Grove could have also contextualized her analysis of business financing in Gaoyang district by making reference to work on informal financing in rural China, such as Kellee S. Tsai's *Back-Alley Banking: Private Entrepreneurs in China* (Ithaca: Cornell University Press, 2002). Instead, she has made several references to "local state corporatism" which is a local state-led rural industrialization process most applicable to southern Jiangsu, where a strong tradition of local government-run enterprises exists.

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Changing Lanes in China: Foreign Direct Investment, Local Governments, and Auto Sector Developments, by Eric Thun. Cambridge: Cambridge University Press, 2006. xviii + 326 pp. £43.00/US\$75.00 (hardcover), £16.99/US\$29.99 (paperback).

This book is a valuable addition to a growing literature on the roles of foreign direct investment (FDI) and local governments (LGs) in China's industrial development. It examines how the LGs in five leading Chinese cities (Shanghai, Beijing, Guangzhou, Wuhan and Changchun) strove to utilize FDI to develop their auto industry. In so doing, the book attempts to understand China's rise as an industrial power and its integration with the global economy, and to illustrate how two decades of reform, development and foreign investment have prepared state-owned Chinese auto firms for the challenge of global integration. In addition to an extensive bibliography, the book draws upon a total of 187 interviews conducted between 1996 and 2004.

A major strength of the book lies in the successful integration of its analytical framework and its case material. Drawing upon Douglas North's work, the analytical framework emphasizes the role of institutional and organizational structures in affecting development outcomes. Localities are categorized in terms of two primary dimensions: the structure of their bureaucratic organization (unified *vs.* fragmented); and the form of their inter-firm relations (hierarchical coordination *vs.* market coordination). The former is measured by the LG's ability to accumulate and invest in the industry, the latter by ownership pattern. This gives the author four possible combinations, namely 1) unified bureaucracy and hierarchical relations between firms; 2) fragmented bureaucracy and market relations between firms; 3) fragmented bureaucracy and hierarchical relations between firms; 4) unified bureaucracy and market relations between firms. The author describes the first as "the local developmental state", befitting Shanghai, the second as "the *laissez-faire* local state", applicable to Beijing and Guangzhou, and the third as a "firm-dominated locality", characteristic of Changchun and Wuhan. The fourth type is considered as non-existent in the Chinese auto industry during the first 15 years of development, but is now nascent.