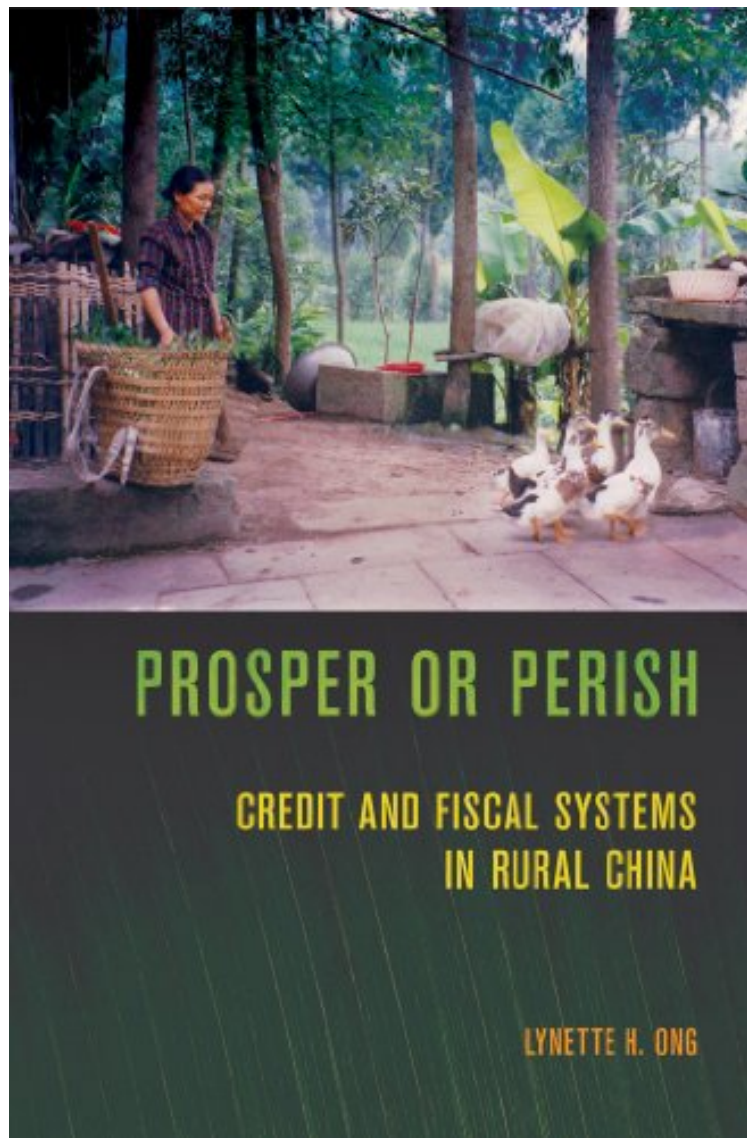


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Prosper or Perish: Credit and Fiscal Systems in Rural China

Lynette H. Ong

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Lynette H. Ong : Prosper or Perish: Credit and Fiscal Systems in Rural China before purchasing it in order to gauge whether or not it would be worth my time, and all praised Prosper or Perish: Credit and Fiscal Systems in Rural China:

The official banking institutions for rural China are Rural Credit Cooperatives (RCCs). Although these co-ops are mandated to support agricultural development among farm households, since 1980 half of RCC loans have gone to

small and medium-sized industrial enterprises located in, and managed by, townships and villages. These township and village enterprises have experienced highly uneven levels of success, and by the end of the 1990s, half of all RCC loans were in or close to default, forcing China's central bank to bail out RCCs. In *Prosper or Perish*, Lynette H. Ong examines the bias in RCC lending patterns, focusing on why the mobilization of rural savings has contributed to successful industrial development in some locales but not in others. Interweaving insightful and theoretically informed discussions of rural credit, development, governance, and bank bailouts, Ong identifies various sources for China's uneven development. In the highly decentralized fiscal environment of the People's Republic, successful industrialization has significant implications for rural governance. Local governments depend on revenue from industrial output to provide public goods and services; unsuccessful enterprises starve local governments of revenue and result in radical cutbacks in services. High peasant burdens, land takings without adequate compensation by local governments, and other poor governance practices tend to be associated with unsuccessful industrialization. In light of the recent liberalization of the rural credit sector in China, *Prosper or Perish* makes a significant contribution to debates within political science, economic development, and international banking.

"The institutional explanation of the bias builds upon a rich body of literature on cadre management and the fiscal system, and will be good reading for graduate and advanced students. All in all, the book is a welcome contribution to the literature of rural credits, and testifies to how much work is still needed on this important subject." *The China Journal* "This book would be ideal for students of political economy, rural development, local government, and public finance in China, among others. The clear writing style and the richly informative local case studies also make the book all the more enjoyable." Gang Guo, *Journal of Chinese Political Science* (March 2015) "The book provides a compelling argument for the dangers of soft budget constraints created by the intimate linkage between the Rural Credit Cooperatives (RCCs) and the local government bureaucracy. Apart from providing an analysis of the rural banking sector, this interesting volume offers valuable insights into the political economy of rural China." Ane Bislev, *China International* (Volume 19, No. 4, 2012) "Why have some localities succeeded in rural industrialization, while others remain impoverished and deeply indebted? Lynette H. Ong challenges conventional explanations for regional variation in rural development in contemporary China. *Prosper or Perish* contributes fresh insights to our understanding of China's complex and evolving political economy." Kellee S. Tsai, The Johns Hopkins University, author of *Capitalism without Democracy: The Private Sector in Contemporary China* "Prosper or Perish is a most well-wrought book that links the rural credit problem to a wide variety of significant aspects of Chinese politics and political economy: the cadre evaluation system, rural development, the provision of government services to rural dwellers, the stimulus package, corruption, and the enormous question of local-central relations." Marc Blecher, Oberlin College, author of *China against the Tides* About the Author Lynette H. Ong is Assistant Professor in the Department of Political Science and at the Munk School of Global Affairs at the University of Toronto.