

Economic Science Institute (here, Shao should have cited Merle Goldman's pioneer work *From Comrade to Citizen*, [Cambridge: Harvard University Press, 2005]), and media such as the *Jingjixue zhoubao*). Although the characterization of *minkan* for this media can be argued, I think it is interesting to include it in this category.

Finally, this reviewer considers the conclusion overly optimistic, as Shao Jiang emphasizes the continuity of *minkan* contents over 40 years, without noting that there has been very little progress in terms of system analysis from *Square* to the *Jingjixue zhoubao*. This fact reveals that state repression has obliged promoters of *minkan* to start from scratch every time they had an opportunity to express themselves, and has prevented them from drawing the lessons of previous experiences.

But this critical remark does not lessen my enthusiasm for the book. It is absolutely necessary reading for anyone interested in citizens' participation in the PRC. A last remark: it is ironic that, in order to analyse publications before the internet, most of the sources he has used are actually ... websites!

JEAN-PHILIPPE BÉJA

jeanphilippebeja@gmail.com

Reforms in China's Monetary Policy: A Frontbencher's Perspective

SUN GUOFENG

Basingstoke and New York: Palgrave Macmillan, 2015

xiii + 254 pp. £79.00

ISBN 978-1-137-50446-3 doi:10.1017/S0305741016000072

China's recent inclusion in the IMF's SDP (Special Drawing Rights) currency basket has once again focused attention on the inner workings of China's monetary system. China is a major participant in global finance in a way that other developing economies never have been. Yet, despite commitments by the leadership to accelerate capital account liberalization alongside the welfare costs attached to capital controls, monetary policy remains one of the more opaque parts of China's economic system. A devaluation of the yuan earlier this year appeared to take many by surprise while reformers have long been wary of the threat to financial stability posed by capital flight. Against this background Sun Guofeng, the deputy director general of the People's Bank of China's monetary policy department, has written an interesting, although heavily descriptive, insider's perspective on the workings of China's monetary policy. Although described as a frontbencher's perspective, the book is perhaps better described as a series of research papers and thoughts on monetary issues in China.

The book begins with Sun's views on the theory of money creation. Drawing on his early experiences in the accounting department of the Harbin branch of the Agricultural Bank of China, he critiques conventional economic theories on money creation. These views are not unlike those expressed in a 2014 paper on the topic from the Bank of England and are extremely important in the light of the 2008–09 global financial crisis, but have been slow to gain traction in mainstream economics. Sun goes on to make a number of observations regarding the unconventional nature of Chinese monetary policy, especially the frequent use of reserve ratio adjustments. He lays the blame for ineffective monetary transmission on the lack of diversity in household savings. One of his more interesting remarks refers to the effects of wealth polarization, especially how it has led to wealth flowing to those unwilling to

consume. The result being that the propensity to consume is very low among the high-income population, who in Sun's words simply want to convert RMB into US dollars and run abroad. This will not come as a surprise to those observing China's monetary reforms and one imagines it is a strongly held view at the People's Bank.

Sun also offers his thoughts on two important theoretical issues: China reaching the Lewis Turning Point and the Theory of the Impossible Trinity. Both are issues that have garnered considerable attention over the last decade. Sun argues that in the case of the Lewis turning point, China has probably reached the first turning point where the labour force ceases to have unlimited flexibility and salaries in the capitalist sector begin to rise. This, Sun argues, is potentially enough to trigger the Balassa-Samuelson effect, where an increase in wages in the tradable sector leads to higher wages in the non-traded services sector and ultimately higher levels of price inflation. This increases the need to monitor productivity developments in the agricultural and manufacturing sectors. Rising agricultural productivity could absorb some of these pressures and would allow the nominal exchange rate to appreciate.

Sun concludes by arguing that what China faces is not necessarily an impossible trinity – where countries cannot simultaneously have free flows of capital, a fixed exchange rate and an independent monetary policy – but rather an “impossible duality.” Citing the case of the United States, Sun argues that in dynamic conditions, a floating exchange rate does not necessarily guarantee monetary independence. Independent monetary policy can therefore only be achieved through capital controls. This is no longer such a controversial view. The IMF has recently revised its position on capital controls as a legitimate policy under certain circumstances. Here readers would naturally like to know more about the extent to which these views prevail in the People's Bank of China.

This book will be of interest to those wishing to gain a greater understanding of the technical aspects of China's monetary policy. The bibliography also provides a very useful list of references for researchers in this area. However it might disappoint those wanting an insight into the politics and inner tensions in Chinese monetary policy formation. The analysis appears to stop short of answering some crucial questions; in particular if China has met the first condition of a Lewis turning point, does this mean that China will increasingly revert to more conventional monetary policy instruments? On these issues readers would undoubtedly appreciate more insight.

DAMIAN TOBIN

dt29@soas.ac.uk

The Globalization of Clean Energy Technology: Lessons from China

KELLY SIMS GALLAGHER

Cambridge, MA, and London: MIT Press, 2014

xi + 261 pp. £19.95

978-0-262-02698-7 doi:10.1017/S0305741016000084

In late 2015, 188 nations signed the landmark Paris Climate Change Agreement pledging to limit greenhouse gases and keep global warming two degrees Celsius above pre-industrial averages. To achieve this goal, which requires an estimated 60–80 per cent cut in greenhouse gas emissions, developed and developing nations alike will need to make major investments in clean technology. The developments in Paris give added significance to this already important book, in which Gallagher