

are at issue and how they are to be measured. The G20 finance ministers, in their Korean communiqué, identified five of these. There is not a discussion of trade (or current account) imbalances, public sector deficits, or sharp differences in savings rates across countries.

Nor is there a discussion of the G20 Framework for Strong, Sustainable, and Balanced Growth which emerged from Pittsburgh in 2009. Central to the focus of the volume is the G20 contention that the 2008 financial crisis was, in large part, due to imbalances and that rebalancing is a necessary condition for continued high country and global growth. No such discussion occurred in the 1930s, nor following the Asian financial crisis of 1997/98. If the story is instead more heavily speculative excess, rebalancing is downgraded as an issue.

Equally, I do not find discussion in the volume papers of the instruments to be used to achieve rebalancing. Particularly noticeable is no paper (or seeming discussion) of exchange rate realignment and specifically RMB revaluation. Other potential instruments include tax policies.

Finally, there is no discussion of the potential quantitative impacts of rebalancing (either globally or by individual Asian countries) on either country or global growth performance. Just how much effect on growth rates would there be from what degree of rebalancing. What is the gain? And, equally, what is the pain (partially discussed in the employment paper by Guo and N'Diaye)?

At the end of the day some overall assessment would help. Just how much will Asia benefit from whose rebalancing (theirs, or by the US and EU)? Is rebalancing heavily a G20 mechanism for pressure, especially on China, on exchange rates? Is Asian rebalancing the key, or is it other region's rebalancing that is the key for Asia.

The analyses in the chapters provide useful material in attempting to answer some of these questions, but for policy makers seeking to have an overall sense of the policy dilemmas for rebalancing in Asia, the volume provides, in my view, only an incomplete and partial picture.

University of Western Ontario, London, Canada

JOHN WHALLEY

CHINA'S REFORM IN GLOBAL PERSPECTIVE. *Series on Contemporary China, vol. 24. Edited by John Wong, Bo Zhiyue. Singapore; Hackensack, NJ: World Scientific, 2010. xx, 416 pp. (Tables, figures.) US\$96.00, cloth. ISBN 978-981-4289-24-5.*

Most accounts of China's extraordinary economic reform process since 1978 are written as it were from the inside: they take China as an isolated polity, and treat its reforms as a purely endogenous process. This volume, mainly written from the outside in, performs the useful service of reminding us that China's reforms took place in a wider context. The ideas and practices of Chinese

reformers were influenced not only by direct investment from more advanced economies, but by the prior experiences of East Asian developmental states; the contemporaneous reform experience of the Soviet Union and other communist states; and by the example of the world's most successful economies in North America and Western Europe. In their rhetoric, the nation's leaders have tended to emphasize Chinese exceptionalism, with slogans such as "socialism with Chinese characteristics." In practice, they have hungrily devoured ideas, technology and institutional models provided by their Asian neighbours and the advanced countries of the West.

Five chapters address the various ways in which China's economic reform process was affected by its neighbours Japan, South Korea, Taiwan, Hong Kong and Singapore. They vary in quality; the chapters by Chien Shiuh-Shen and Zhao Litao on Taiwanese investment, and by Young-Rok Cheong on the influence of Korea's development experience in the 1960s and 70s, are strong. Lim Tin Seng's chapter on Hong Kong is disappointing, as it focuses narrowly on Hong Kong's role as an entrepot and an early investor in light manufacturing, and ignores the far more profound impact identified by Yasheng Huang in his 2008 book *Capitalism with Chinese Characteristics* about the way in which China exploited Hong Kong's modern legal and financial infrastructure to capture the efficiencies of a modern capitalist economy without having to face the political consequences that building such sophisticated social software normally entails.

Taken together, however, these chapters illuminate the crucial point that China's reforms were aided by China's location in an exceptionally dynamic economic region, where investment capital, pre-existing production chains, and decades of accumulated experience of the development process stood ready to flow in. This accident of economic geography—the local availability of such a deep pool of developmental know-how—is surely one reason why China has been able to sustain such high growth rates for so long.

Another section offers highly relevant comparative perspectives from the United States, the European Union and the Soviet Union. Wang Yong's chapter on US-China economic relations rightly stresses that China has benefited enormously from the global system of trade and investment presided over by the US since the end of World War II, and that despite occasionally obnoxious rhetoric on both sides, China's long-term economic and strategic interests are served by further integration in this system.

Thomas P. Bernstein's comparison of the 1980s reform experiences of Deng Xiaoping's China and Mikhail Gorbachev's Soviet Union is sensitive, astute and fair. Bernstein stresses the rather well-worn point that China's reforms succeeded because they were gradual and incremental, whereas the Soviet Union crumbled under the simultaneous assault of large-scale reforms in many areas. But he also demonstrates that, in important ways, Gorbachev did not have the luxury of the incrementalist option. The utter destruction of Russia's entrepreneurial peasant class in the 1930s, the extreme centralization

of the Soviet economic planning apparatus, and the deeply entrenched conservative bureaucracy meant Gorbachev had little choice but to gamble on dramatic simultaneous political and economic reforms. By contrast, Deng enjoyed two advantages which made an incremental strategy possible. First, he inherited such a catastrophic situation that any reforms producing material benefit would quickly be welcomed by wide swathes of both the ordinary population and officialdom. And second, the entrepreneurial energies of the rural population had not been smashed, as in the Soviet Union, but merely suppressed. This meant that even small moves to get the state out of the way produced spectacular results. Deng shrewdly capitalized on this by encouraging local officials to act as entrepreneurs, effectively giving them a stake in supporting sustained market-oriented growth.

The volume concludes with an interesting essay by co-editor Bo Zhiyue on the prospects for political reform. After a careful parsing of several generations of Chinese leaders' statements on democracy, and an analysis of political reforms such as village elections, Bo concludes that "the Chinese leadership's attitude toward democracy has changed from complete dismissal to affirmation in theory and dismissal in practice" (389). He therefore foresees that China's political system will continue to evolve in the direction of greater institutionalization and more effective governance, but that substantive democracy in a Western sense remains decades away at best. As the Communist Party of China (CPC) prepares for a well-orchestrated transfer of power to a new and carefully groomed set of leaders in October 2012, this judgment appears sound.

But the CPC's affirmation of democracy in theory and denial of it in practice begs a further question which Bo could perhaps address in future work. Since it clearly has no interest in substantive democracy, and has proved over the past three decades that an absence of democracy is no impediment to rapid, sustained and broad-based economic growth, why must the CPC bother to affirm democracy even in principle? Why not proudly assert that in China, at any rate, authoritarian bureaucratic rule is simply a superior system? The Party's anxious insistence that its policies are democratic, when they plainly are not, betrays a cultural hollowness at the core of China's otherwise impressive developmental achievement—a reliance on concepts imported from the West to define and legitimate the political system. Until the Party can find a more confident basis for its rule, the sustainability of China's economic miracle will always be tinged with doubt.

Brookings-Tsinghua Center, Beijing, China

ARTHUR R. KROEBER