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BOOK REVIEWS

Book Review Editor:

Brian W. Sloboda

University of Maryland, Global Campus, USA

brian.sloboda@faculty.umgc.edu

Ang, Yuen Yuen (2020) *China's Gilded Age: The Paradox of Economic Boom and Vast Corruption*. Cambridge University Press, Cambridge, UK. ISBN: 978-1-108-47860-1, 257 pp., \$39.99 (hardback).

Reviewed by *Amitrajeet A. Batabyal*, Rochester Institute of Technology

There is no gainsaying that one of the most noteworthy events of the last four decades has been the dramatic rise of China. Given the rise of China and the fact that it is now challenging the United States for global supremacy in many different areas, there is great interest in the West in general in studying and comprehending China. One unsavory aspect of China that has given rise to *schadenfreude*, along with predictions about the imminent demise of this nation, is the widespread presence of corruption in China. The primary objective of this book is to shed light on how China has managed to grow so impressively despite the presence of vast amounts of corruption. As the author puts it, it is important to explain how China has transformed itself “from an impoverished communist regime to a capitalist superpower rivaling the United States, despite a crisis of corruption...” (p. 5). In what follows, rather than provide a tedious chapter-by-chapter review, I shall sample selectively from the book’s contents. This ought to provide the reader with an adequate flavor for the intellectual contributions of the book.

China’s Gilded Age begins by pointing out that existing studies about corruption in China and elsewhere are frequently unsatisfactory because they either use a single metric to describe corruption or because they accept the conventional wisdom that all corruption retards economic growth. The author proposes to unbundle corruption to get around this undesirable state of affairs. A key idea here is to understand that corruption is not always damaging and that “certain kinds of corruption may stimulate growth in the short term yet produce serious risks and distortions” (p. 7). The unbundling exercise shows that there are four types of corruption called petty theft, grand theft, speed money, and access money. The author’s focus in this book is on accessing money, and she points out that “access money can encompass both illegal and legal actions” (p. 10).

Next, the author contends that standard measures of corruption such as the corruption perception index (CPI), are problematic because such measures often have no control over

the design or the quality of the sources used and because they reflect what she calls “first-world bias” (p. 25). To get around these problems, the author presents and works with the “unbundled corruption index (UCI).” This index is based on a survey of various country experts and concentrates on access money, speed money, grand theft, and petty theft. After engaging in a comparative exercise of corruption in China and India, the author explains that “in India, people pay bribes to override obstacles; in China, graft buys lucrative business deals” (p. 42). This discussion is helpful, but the same cannot be said about the author’s description of access money as “the purchase of lucrative privileges, both illegal and legal” (p. 29). If access to money is one kind of corruption and the standard meaning of corruption involves something negative, then why describe the legal purchase of lucrative privileges as corruption? It would be more helpful to think of access money as only the illegal purchase of lucrative privileges.

How did China arrive at the structure of corruption that we see today? In answering this question, the author points out that China’s economy now “is predominantly driven by the private sector, which according to the latest statistics, accounts for 60 percent of GDP...” (p. 67). It is unclear that private in China means the same thing as private in, say, the United States. As such, what does it mean for a business to be private in China? Is it possible for a business to be truly private in China? These matters receive insufficient attention from the author. The author claims that although anti-corruption campaigns “are likely to affect the number of reported cases, they are unlikely to affect the reported structure of corruption” (p. 69). Why should this be the case? Once again, the author provides no convincing rationale to support her claim.

By discussing the careers of two fallen stars, namely, Bo Xilai and Ji Jianye, the author shows that it is possible for notoriously corrupt officials also to be promoters of economic growth. In addition, she points out that although access to money can be growth inducing, “it is important to remember that this kind of corruption gives rise to “structural distortions and risks...” (p. 120). For instance, we learn that in an economic system such as China’s, that is run using large amounts of access money, we can expect to see inequality within Chinese society and between politically connected and unconnected firms. Perhaps most salient here is that access money “generates strong vested interests which block economic reforms and distort the allocation of resources” (p. 147).

Given President Xi’s well-known war on corruption, it is of interest to ascertain the factors that are most likely to tell us the probability of local leaders being snared by Xi’s anti-corruption measures. In this regard, the author’s empirical analysis reveals that delivering solid economic results neither protects from nor exposes city leaders to corruption-related investigations. On the other hand, we learn that “patronage, not performance, predicts the likelihood of downfall...When patrons take a hit...the risk of fall for their clients rises steeply” (p. 154). Although Xi’s fight against corruption has had considerable success, because the scope of this fight has increased substantially over time, it has become counter-productive in some ways. For instance, under Xi’s crusade against corruption, “the irony is that every top-down solution (harsh crackdowns) generates a new problem (inaction) that the regime tries to solve with more top-down solutions (punish inaction)” (p. 177).

Even though many researchers believe that corruption has a negative impact on economic growth, why is it that China has prospered despite the presence of corruption? The author’s

answer to this question includes inter alia, the following two points. First, she says that the main kind of corruption in China is the presence of access to money, which has had a positive impact on growth in China. Second, China's political system functions on a profit-sharing model, and this ensures that the "fringe compensation" of public employees acts as an "efficiency wage, incentivizing low-level bureaucrats to generate revenue and to avoid extortion and theft" (p. 183). The author concludes this book by addressing the following question commonly asked in North America and Western Europe: Will corruption in China lead to a regime collapse? She says this is unlikely because "even though Chinese officials engage in widespread collusion and deal-making, they deliver social and economic development" (p. 200).

In sum, this book provides a valuable service by unbundling corruption into four parts and then showing that using a single metric to measure all corruption hides more than it reveals. In addition, the book conducts useful empirical analysis to shed light on specific aspects of the nexuses between the activities of Chinese public officials and economic and social outcomes. Finally, the book is successful in changing how we typically look at and study the impacts of corruption in both developing and developed nations. As such, I recommend this book to all readers interested in learning more about the dramatic economic success of China despite the presence of massive corruption.

Ammous, Saifedean (2018) *The Bitcoin Standard* John Wiley & Sons, Inc. ISBN: 978-1-1194738-6-2, 286 pp., \$20.20 (hardback).

Reviewed by *Dennis Pearson*, Austin Peay State University

The Bitcoin Standard by Saifedean Ammous has emerged as a seminal work in cryptocurrency literature, especially for those interested in Bitcoin's economic and philosophical underpinnings. Ammous, an economist by training, delves into the history of money to provide context for the advent of digital currencies, ultimately making a case for Bitcoin's potential to serve as a global digital standard.

The book's primary thesis posits Bitcoin as a contemporary equivalent to gold. Due to its scarcity and durability, gold has historically held the title of the standard in global finance. Ammous argues that Bitcoin, with its decentralized nature and finite supply, mirrors these attributes and could thus reshape the future of money.

The Bitcoin Standard is methodically structured to guide the reader from the origins of money through the complexities of monetary policy and into the technical mechanics of Bitcoin. It not only lays out a historical perspective but also educates on the functioning of Bitcoin, drawing comparisons with gold and exploring the implications for the future of finance.

The book is a critical resource in the context of a burgeoning interest in cryptocurrencies. It speaks to the potential of these digital assets to transform the economic landscape, addressing themes of financial sovereignty, inflation, and the challenges of the current fiat currency system. *The Bitcoin Standard* is a significant contribution to the discourse on how Bitcoin and other cryptocurrencies might redefine our understanding and use of money in an increasingly digital world economy.

In *The Bitcoin Standard*, Saifedean Ammous takes the reader on a historical journey to explore the evolution of money. He highlights the shift from primitive barter systems to more sophisticated trade and value storage methods. He describes how, through trial and error, societies gravitated towards commodities that best served the functions of money: a medium of exchange, a unit of account, and a store of value.

Ammous meticulously outlines the transition from commodities like seashells and salt to precious metals, notably gold, due to their durability, divisibility, and rarity. He depicts the era of the gold standard as a period of unprecedented economic stability and growth, labeling it as ‘sound money’ due to its resistance to debasement and its anchoring of currency value.

The narrative then shifts to the twentieth century’s departure from the gold standard, moving towards government-issued fiat currency. Ammous is critical of fiat money, arguing that it lacks the sound principles that made gold a stabilizer of economic order. He suggests that fiat currencies, subject to inflation and manipulation through monetary policy, often lead to economic boom and bust cycles.

Ammous’s discussion underscores his belief that sound money principles — scarcity, predictability, and the absence of central control — are essential for economic stability and prosperity. He posits that these principles underpin strong economies and contribute to long-term financial security for individuals and societies. The historical context sets the stage for his later arguments regarding the potential of Bitcoin to fulfill these principles in the digital age.

In *The Bitcoin Standard*, Saifedean Ammous presents Bitcoin not just as a digital currency but as a revolutionary monetary system that embodies the principles of sound money. He emphasizes Bitcoin’s decentralized nature, where no single entity controls the network, making it a democratic alternative to centralized financial systems. Its limited supply, capped at 21 million bitcoins, starkly contrasts with the potential for unlimited fiat currency production, which Ammous argues leads to devaluation and economic instability.

Ammous delves into Bitcoin’s technical foundation and explains the importance of blockchain technology—a decentralized ledger that records all transactions across a network of computers. This technology ensures transparency and immutability, meaning that once a transaction is recorded, it cannot be altered, which combats fraud and corruption.

He further explains the mining process, in which specialized computers solve complex mathematical problems to validate transactions and secure the network. This process facilitates the controlled creation of new bitcoins and fortifies the network’s security.

Ammous’s explanation also focuses on the cryptographic security that underpins Bitcoin. He underscores the role of cryptography in safeguarding users’ digital assets, ensuring that only the private key owner can authorize transactions.

Together, these technical aspects—the blockchain, mining, and cryptographic security—form the bedrock of Bitcoin’s value proposition, as presented by Ammous. They collectively contribute to Bitcoin’s potential to serve as sound money for the digital age, adhering to the principles of scarcity, security, and decentralized consensus that were once the hallmark of the gold standard.

In *The Bitcoin Standard*, Saifedean Ammous postulates that Bitcoin holds the potential to profoundly impact global finance by reintroducing sound monetary principles. He contends

that Bitcoin's strict supply limit could make it a powerful hedge against inflation. Unlike fiat currencies, which can be printed at the discretion of central banks, Bitcoin's supply is algorithmically fixed, which could protect wealth from the erosion of purchasing power.

Ammous also examines the possible challenges Bitcoin poses to traditional central banking policies. With Bitcoin, monetary policy is predetermined and not subject to the whims of institutions or political pressures. This could force a paradigm shift in how nations approach inflation control, interest rates, and money supply.

Moreover, Ammous underscores Bitcoin's ability to empower individuals by providing an alternative to government-controlled currencies. He argues that Bitcoin's borderless and decentralized nature could democratize financial systems, granting individuals greater control over their wealth. This empowerment comes from the fact that Bitcoin transactions can be made by anyone, anywhere, without intermediary institutions, potentially reducing transaction costs and increasing financial inclusivity.

In Ammous's view, Bitcoin's adoption could signal a move towards a more liberalized financial system where individuals have more autonomy, and economies are protected from the unpredictable impacts of loose monetary policy. According to Ammous, this future could see a reduction in the arbitrary inflation of the money supply and a greater stabilization of the global economic system.

In *The Bitcoin Standard*, Saifedean Ammous's extensive exploration of monetary history is a substantial strength of the book. He provides a thorough account of the evolution of money, enabling readers to grasp the significant milestones that have led to the current financial system. This comprehensive historical context enriches the reader's understanding of the principles underpinning sound money over centuries. Ammous's meticulous detailing of past monetary systems lays a foundation for the reader to appreciate the radical departure Bitcoin represents from traditional currencies.

Ammous excels in demystifying Bitcoin's intricate technical underpinnings. His explanations of blockchain technology, cryptographic security, and mining are articulated in a manner that makes them accessible to those without a background in computer science or cryptography. This clarity is pivotal as it allows a broader audience to comprehend how these technologies contribute to the unique attributes of Bitcoin, such as its scarcity, security, and decentralized nature.

Another remarkable aspect of the book is Ammous's persuasive argument for Bitcoin's potential as a transformative force in the future of money. He uses economic theory to illustrate how Bitcoin's capped supply could be a bulwark against inflation—a common pitfall of fiat currencies. His insights into how Bitcoin could impact central banking and monetary policy reflect a deep understanding of economic principles, and these discussions are particularly salient amid contemporary concerns over inflation and financial instability.

The relevance of Ammous's work is amplified by current financial uncertainties, such as fluctuating markets and the erosion of purchasing power through inflation. In a climate where trust in traditional financial institutions is wavering, *The Bitcoin Standard* presents an alternative perspective that aligns with a growing skepticism towards government-controlled currencies. Ammous not only theorizes on the role of Bitcoin as a stabilizing force but also on its potential to empower individuals by offering an alternative to the centralized control

of money.

Finally, the book's integration of economic theory and practical examples underscores the practicality of its thesis. Ammous does not just present an idealized vision of Bitcoin; he critically engages with potential obstacles and the challenges Bitcoin faces in gaining widespread adoption. This balanced approach adds to the book's credibility, as it does not shy away from addressing the criticisms and complexities associated with Bitcoin.

In conclusion, *The Bitcoin Standard* distinguishes itself with its historical depth, clear explanations of technical concepts, and well-supported argument for Bitcoin's role in addressing the inadequacies of current financial systems. Ammous effectively leverages economic theory to advocate for Bitcoin as not just a cryptocurrency but a necessary evolution in the long history of money.

While *The Bitcoin Standard* has been lauded for its detailed analysis and clear presentation, several criticisms can be levied against its arguments and perspective.

One of the primary criticisms is the book's singular focus on Bitcoin, which excludes other cryptocurrencies. Ammous presents Bitcoin as the only true digital asset worthy of the title 'sound money,' largely dismissing alternative cryptocurrencies' potential contributions and innovations. This approach overlooks the diverse blockchain technology ecosystem, where different cryptocurrencies serve various functions, from smart contracts to decentralized finance.

Another critique area lies in Ammous's portrayal of regulatory and technological challenges. Some argue that he underestimates the complex landscape of regulatory compliance that cryptocurrencies must navigate to gain mainstream acceptance. Regulations are critical in shaping the adoption and practical use of cryptocurrencies and dismissing these factors can be seen as an oversight in the analysis.

Furthermore, the book is sometimes critiqued for its optimistic assumptions regarding widespread adoption. While advocating for Bitcoin's potential, it doesn't thoroughly address the current scalability issues that have been a significant concern within the community. Bitcoin's existing infrastructure has limitations in handling the volume of transactions necessary to become a global standard. Critics argue that without substantial improvements in scalability, the vision of Bitcoin as a universal currency is not entirely realistic.

In addition to these points, some economists and financial analysts suggest that the book doesn't fully account for the nuances of economic behavior and the inertia inherent in financial systems. People and institutions often resist change, especially regarding foundational elements like currency. The transition to a Bitcoin standard would require a paradigm shift in economic thought and practice that Ammous's book does not fully grapple with.

Moreover, technology experts might point out that Bitcoin's security and technological robustness, while strong, are not infallible. For example, the potential for quantum computing to disrupt cryptographic methods underpinning Bitcoin is a technological challenge that is not deeply engaged in the book.

In conclusion, while *The Bitcoin Standard* provides a thought-provoking and well-argued case for Bitcoin, its sometimes-one-sided view, potential underestimation of the regulatory and technological hurdles, and the assumption of widespread adoption without sufficient discussion of scalability and economic behavior present notable weaknesses. A more balanced

approach would have included a deeper exploration of these criticisms, incorporating perspectives from across the spectrum of economists, technology experts, and financial analysts to provide a more nuanced critique.

The Bitcoin Standard has carved out a significant place in the discourse surrounding the future of money, acting as both a manifesto and a point of departure for discussions about Bitcoin's potential role. Saifedean Ammous's work has been instrumental in popularizing the concepts that underlie Bitcoin, contributing to a broader understanding of how a decentralized digital currency could function as sound money.

While the book advocates for a paradigm shift towards a Bitcoin-centric financial system, its contributions extend beyond mere advocacy. It challenges readers to reconsider the foundations of our current monetary system and to explore the possibilities inherent in a technology that could alter the financial landscape on a global scale. Yet, the book is but an opening salvo in what must be a comprehensive and ongoing conversation.

There is a clear need for continued debate, research, and critical analysis of the challenges and opportunities presented by Bitcoin and other cryptocurrencies. Future explorations could delve into the environmental impact of mining practices—a subject of significant contention that weighs heavily on Bitcoin's broader acceptance. The cryptocurrency ecosystem's rapid development requires scrutiny of its scalability, security, and ability to support a growing array of financial activities.

Moreover, the sociopolitical implications of digital currency adoption demand attention. Cryptocurrencies hold the potential to redefine power dynamics between states and individuals, alter global economic governance, and impact financial inclusion. Their ability to cross borders effortlessly presents both opportunities for empowerment and challenges for regulation and control.

In conclusion, *The Bitcoin Standard* has proven to be a critical work for those interested in the intersections of economics, technology, and society. While the book makes a compelling case for Bitcoin's virtues, the conversation is far from over. The full spectrum of Bitcoin's impact—economically, environmentally, and socio-politically—remains a fertile ground for exploration as the world grapples with the implications of adopting digital currencies more broadly.

The review of *The Bitcoin Standard* draws upon various sources to ensure a well-rounded examination of the text and its subject matter. Primary among these is "The Bitcoin Standard" by Saifedean Ammous, which is indispensable for understanding the book's thesis and arguments.

Further insights were gained from articles and critiques spanning a range of viewpoints on Bitcoin and cryptocurrencies. This includes analyses found in leading financial publications like *The Economist* and *Financial Times*, which regularly feature discussions on cryptocurrencies' economic and regulatory aspects. Additionally, technical evaluations from sources such as *MIT Technology Review* provide depth to the understanding of blockchain and cryptographic foundations of Bitcoin.

Academic papers from journals like the *Journal of Economic Perspectives* offer scholarly analysis of Bitcoin's role in the broader economic landscape, addressing its potential and challenges. The insights of economists and thought leaders in the field, such as Nouriel

Roubini and Paul Krugman, who have written extensively on cryptocurrencies, provide a critical perspective on Ammous's assertions.

For those interested in delving deeper, exploring the Bitcoin whitepaper by Satoshi Nakamoto, the pseudonymous creator of Bitcoin, is recommended for an original technical understanding. Moreover, readers may consult the Cambridge Centre for Alternative Finance for up-to-date research on the environmental impact of Bitcoin mining.

Branigan, Tania (2023) *Red Memory: The Afterlives of China's Cultural Revolution*. W.W. Norton and Company, New York, New York. ISBN: 978-1-324-05195-4, 283 pp., \$18.99 (paperback).

Reviewed by *Amitrajeet A. Batabyal*, Rochester Institute of Technology

The Cultural Revolution in China, lasting from 1966 to 1976, was a tumultuous socio-political movement initiated by Chairman Mao Zedong to preserve communist ideology and consolidate his power. This era left an indelible mark on China's history, impacting millions of lives and reshaping the country's cultural and political landscape.

In *Red Memory*, the author Tania Branigan explains how Mao Zedong, seeking to reassert his control over the Chinese Communist Party (CCP) after the unmitigated failure of the so-called Great Leap Forward—referred to euphemistically as the “Three Years of Difficulty” by Chinese officialdom (p. 26)—launched the Cultural Revolution to eradicate remnants of capitalist and traditional elements within Chinese society. Mao, we learn, envisioned a radical transformation, relying on the mobilization of youth—the Red Guards—to challenge established authorities and further revolutionary fervor. Central to the Cultural Revolution were the Red Guards, composed mainly of students and young intellectuals.

Empowered by Mao's exhortations, the author points out that they eagerly eliminated perceived counter-revolutionaries, intellectuals, and those associated with bourgeois values. This unleashed a wave of violence, with schools and cultural institutions targeted, leading to the destruction of valuable artifacts and books and the displacement of many individuals. The author delineates how the Cultural Revolution sought to create a homogeneous socialist society by suppressing traditional Chinese culture, values, and practices. During this revolution, intellectuals were frequently referred to as “class enemies,” and traditional customs, art, and literature were condemned as remnants of the bourgeois past. This assault on China's cultural heritage left an irreparable void in the nation's rich history, erasing centuries-old traditions and knowledge.

The Cultural Revolution also had profound economic consequences. The elimination of skilled professionals and intellectuals caused many industries and enterprises to falter, hindering China's economic development. In addition, the focus on ideological purity took precedence over practical knowledge and expertise, resulting in decreased productivity and economic stagnation.

While Chairman Mao aimed to consolidate power and maintain ideological purity, the Cultural Revolution became a tool for settling political scores within the Chinese Communist Party (CCP). High-ranking officials were accused of disloyalty and eliminated, leading to internal strife and instability. The chaos reached its zenith with the toppling of Liu

Shaoqi, the State President, and Deng Xiaoping, the CCP's General Secretary, who were later rehabilitated.

A key contribution of this book is the human story of the Cultural Revolution; it tells through interviews with a variety of now elderly individuals who were either directly or indirectly connected with the many unsavory activities associated with this Revolution. In this regard, a particularly poignant case is the story that Zhang Hongbing relates to the author about his mother's execution by Chairman Mao's goons. We learn that late one evening, his mother Fang Zhongmou made "an acerbic allusion to Chairman Mao" (p. 211). Zhang accused his mother of "viciously attacking and insulting Mao Zedong Thought" (p. 211). Instead of backing down, his mother continued her tirade against Mao, contending that Liu Shaoqi's case needed to be reopened and she referred to Chairman Mao as a "spy" and a "traitor." Hearing these animadversions, Zhang threatened to smash her "dog head" (p. 211).

As matters progressively escalated, he and his father left home to report his mother to the relevant authorities. When the authorities came to their home, his father suggested that they beat "the counter-revolutionary" (p. 212). As a result, Zhang's mother was dragged out of the house and eventually sentenced to death. Zhang tells the author that even though he did not smash his mother's head, he did "hit her twice on her back" (p. 212). Further, even though he knew his reporting would result in his mother being given the death sentence, he said to the authorities that, *inter alia*, they should "Shoot Fang Zhongmou!" (p. 213).

Fang was buried near where she was executed, but neither Zhang nor his father went to collect her body. To make matters worse, the dead Fang's body was exhumed and buried elsewhere because the authorities wanted to build a bridge where she has been buried initially. Zhang knew that the body being exhumed was his mother's because of the white, knee-length socks and a wrist strap. As the author notes in a melancholy refrain, what was cruelest about this incident was the fact that "this unwanted woman [was] disturbed repeatedly and... she was identified not by loving relatives but by cadres who recognized a pair of socks" (p. 213).

Through stories like Zhang's, the author tells a thoughtful tale of why some people remember, and others choose to forget the many dastardly events of the Cultural Revolution from 1966 to 1976. Moving on to contemporary China under President Xi Jinping, the author points to ominous signs stemming from the fact that "state control over the economy is growing, as it is over every aspect of life in China" (p. 249). Even though President Xi is not Chairman Mao, it is nonetheless troubling that the CCP "is going to great lengths to create a new Idol, and in the process, it is offering up to the world an image of China as Modern Totalitarianism..." (p. 249).

Although readers are unlikely to appreciate all the accounts provided in this book, the author does raise searching questions about the future of a society in which one cannot trust those closest to us and one that erases its past. As such, I recommend this book to all readers who would like to learn more about a society that has an invisible scar running through its heart.