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Paola Subacci, *The People's Money: How China Is Building a Global Currency*. New York: Columbia University Press, 2017; xii + 256 pp. with index, notes, and bibliography: 9780231173469, US$35.00 (hbk)

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Paola Subacchi provides an overview of the development of the renminbi, the currency of the People's Republic of China, towards an international currency. She argues that managed convertibility – promoting the international use of the renminbi while restricting the flow of the renminbi in and out of the country – is a plausible option for China.

Along the way, the reader is introduced to Deng Xiaoping's opening up of China to international trade but without external financial liberalization, the mechanisms of financial repression in China leading to low costs of borrowing and a weak financial system, capital controls and a managed peg for the exchange rate, the costs of managing the exchange rate, efforts at building an international market for the renminbi, progress with the internationalization of the renminbi, the difficulties of reforming the current system, and an evaluation of where the internationalization of the renminbi is at today. The underlying question that drives the narrative is: why does the largest trading nation not have a currency with which to settle a significant share of this trade?

The book is well written and an easy read. Tables and figures are intentionally avoided. Instead, each of the 10 chapters tells one part of the overall story in a manner readily accessible to a general readership. The economics goes as far as the functions of money (unit of exchange, unit of account, and store of value), explained in a way that is comprehensible to the layperson and used repeatedly to illustrate the limitations to the internationalization of the renminbi. Subacchi avoids dipping further into textbook economics. For example, she does not mention the 'impossible trinity' of a fixed foreign exchange rate, capital account convertibility, and independent monetary policy (central banks can only pursue two of these three policies simultaneously), but captures the basic concepts nevertheless. Thus, one of the key achievements of the book is that it reduces complex matters to something that is understandable for someone who has never taken a college course in economics. To give one example of the author's consideration of the reader: 'I will describe what the capital account is and how it differs from the current account' (p. 80).

With coverage extending to 2016, the book is up to date in its discussion of the inclusion of the renminbi in the International Monetary Fund's special drawing rights basket, and the author delves into corruption in China's financial system even before the current (early 2017) wave of investigations. Core studies related to the topic are integrated, including International Monetary Fund and World Bank publications.

In some places, Subbachi sounds like an investigative journalist probing the patterns and incentives behind measures taken by China's leadership (or its central bank), drawing on a very large number of interviews that appear to have started as early as 2011, and the tone of the book is at times chatty and animated (instead of: exciting).

The book draws strength from comparative perspectives, contrasting China's path to those of the United States and Japan. While Japan provides a list of lessons (concerning the requirements for achieving international currency status), the United States is inclined to end up in the position of a hegemonist, whether by historical path dependence or design (one example is the 1975 agreement between the United States and Saudi Arabia that all oil sales by the Organization of the Petroleum Exporting Countries are to be priced in US dollars).

In the end, given China's weak financial system and the desire for an independent monetary policy as well as for a tightly managed foreign exchange regime, China cannot fully liberalize the capital account. The international state of affairs – with the US dollar being the de facto dominant international reserve currency – does not help the internationalization of the renminbi. Not astonishingly, the Chinese leadership opted for an offshore market solution where the renminbi is allowed to trade relatively freely outside China, with the supply to this offshore market ultimately controlled by the People's Bank of China. As a result, the renminbi scores well as a means of exchange, but poorly as a unit of account (in the year 2014 only half of the trade settled in renminbi was invoiced in renminbi) or as a store of value (in comparison to the domestic money supply, the volume of renminbi held outside China is tiny). Its geographic domain is largely limited to the Asia-Pacific region, where almost 90 per cent of renminbi payments in terms of value take place (with Hong Kong alone accounting for 72 per cent).

Looking forward, the author is sanguine about China's gradual approach to internationalizing the renminbi: 'Having one dominant currency issued by the dominant economic and military power, as was the case in the second half of the twentieth century, may turn out to be the exception in economic and political history rather than the norm' (p. 181).