

Carsten Holz
SOSC 181 Introduction to China's Economy
Spring 2007, MWF, 10:00-10:50, LTB

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Teaching assistant: TBA, room 2361.

Course objectives

- Analyze the functioning of China's reform period economy using basic economic tools.
- Determine the degree and characteristics of China's economic transition and development.
- Identify and discuss economic problems China is facing today.

This course focuses on China's reform-period economy, with emphasis on current-day China. It is an introductory-level course consisting of four parts: (i) economic geography and a reform period overview, (ii) comparative economic systems/ economic transition, (iii) economic decision-making, and (iv) economic development and current issues.

Requirements and grading

Grades are based on three examinations (two midterm exams, final) and nine assignments. The midterm exams each account for 22% of the final grade, and the final exam for 38%. The midterm exams are not cumulative, the final exam is. Assignments earn two percentage points each up to a maximum of 18%.

The course has twelve short assignments, of which a maximum of nine assignments count towards the final grade (you can skip three). All are exam-relevant. The assignments often illustrate some aspect of the lectures. Many cover current events. Discussion of assignments in class will occupy about one-third of class-time.

The assignment questions are posted at the course website on Wednesday and answers are due, in hard copy, at the beginning of class the following Wednesday. Since we will discuss the assignment in class on that same day, you need your answers in class; please hand in a copy. On the copy you hand in, please add (a) your student ID, (b) your name, and (c) the assignment number.

Assignments are graded pass/fail and are not returned. We check if you have done the assignment but do not grade line by line. You are free to cooperate with other students, but everybody must write his/her own answers. Preferably use English language to write the assignment answers. If you do not know how to translate a Chinese term into English, improvise with English and add the Chinese term (in Chinese). You can keep your answers short, they are more for you than for assignment/ grading purposes. Do not copy/translate word-for-word from the assignment text, but write or summarize in your own words

The examinations are likely to be about half multiple choice questions, and half short factual questions and open-ended questions which take several sentences to answer.

Examination schedule:

First midterm exam	5 March 07
Second midterm exam	2 April 07
Final exam	In examination period (21-31 May 07), as announced by the university [no special cases, no exemptions, no early final exam]

Absence from exams is only excused for compelling and fully documented reasons; this includes, and is usually limited to, medical events (doctor certifies *inability to work*) and close family events (eg, wedding of immediate family member).

Readings, assignments, class materials

The course has required *readings*; examinations may contain a small number of questions on material contained in the readings but not covered in class.

Assignments are based on a variety of short texts, such as magazine articles, speeches, regulations, or passages from books.

Class materials consist of tables, charts, brief lecture overviews, etc. (approximately 2-8 pages per week).

Lecture schedule

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|---|------------------------------------|
| <i>I. Introduction to China's Reform Period Economy</i> | |
| A. Economic Geography | Week 1, 2 (29 Jan.-, 5 Feb.-) |
| B. Reform Period Overview | Week 2, 3 (5 Feb.-, 12 Feb.-) |
| <i>II. Comparative Economic Systems</i> | |
| A. Central Planning (not China-specific) | Week 3, 4 (12 Feb.-, 26 Feb.-) |
| B. Market Economy (not China-specific) | Week 5 (5 March-) |
| C. Production and Investment Coordination (in China) | Week 6, 7 (12 March-, 19 March-) |
| D. Economic Transition | Week 8 (26 March-) |
| <i>III. Economic Decision-Making</i> | Week 9, 10 (2/9 April-, 16 April-) |
| <i>IV. Economic Development</i> | |
| A. Development Theories and Strategies | Week 11 (23 April-) |
| B. Agriculture | Week 12 (30 April-) |
| C. Industry | Week 13 (7 May-) |
| D. Social Security System | Week 14 (14 May-) |

READINGS

Economic Geography (Week 1) --- No reading

Recommended: (i) Donald, Stephanie Hemelryk, and Robert Benewick. *The State of China Atlas*. Berkeley: University of California Press, 2005, pp. 24, 27, 37, 40f., 43, 51, 64f., 73, 75, 77, 89, 91 [Reserve G2305.D66 2005]; or (ii) previous edition: Benewick, Robert, and Stephanie Donald. *The State of China Atlas*. London: Penguin Reference, 1999 [Reserve G2305.B46 1999]; pp. 14, 17, 25, 28, 29, 31, 37, 39, 61, 69, 71, 75, 85, 87, 93. (iii) For large-scale maps on China's economy see: The National Economic Atlas of China. Hong Kong: Oxford University Press, 1994. Library Reference G2306.G1 N3 1994. Some pages of interest are pp. 2f., 8 top, 9 top, 11f., 15f., 19f., 21f., 32, 34, 36, 37, 43, 74f., 98, 195, 197, 199.

Reform Period Overview (Week 2, 3)

Qian, Yingyi. "The Process of China's Market Transition (1978-1998): The Evolutionary, Historical, and Comparative Perspectives." *Journal of Institutional and Theoretical Economics* 156, no. 1 (March 2000): 151-71. (In particular, sections 1-3, pp. 151-64.)

Central Planning (not China-specific) (Week 3, 4)

Kohler, Heinz. *Comparative Economic Systems*. Glenview, Illinois: Scott, Foresman, and Company, 1989. Chapter 6, "Centralized Socialism: A Model" (pp. 86-116, but skip pp. 95-99, 102-4, and 110-12; answers to questions are on pp. 494-501 (questions 1-6, 8 recommended)).

Market Economy (not China-specific) (Week 5)

Kohler, Heinz. *Comparative Economic Systems*. Glenview, Illinois: Scott, Foresman, and Company, 1989. Chapter 12, "Market Capitalism: A Model" (pp. 332-61, except pp. 351-54 on Pareto conditions; answers to questions are on pp. 520-27 (questions 1, 3, 4, 7, 10 recommended; questions 2 and 8 very optional).

Production and Investment Coordination (Week 6, 7)

Lyons, Thomas P. "Planning and Interprovincial Co-ordination in Maoist China." *The China Quarterly* 121 (March 1990): 36-60.

Economic Transition (Week 8)

Qian, Yingyi. "How Reform Worked in China," Chapter 11 in Dani Rodrik (ed.), *In Search of Prosperity: Analytic Narratives on Economic Growth*. Princeton: Princeton University Press, 2003, pp. 297-333.

Recommended: *World Development Report 1996: From Plan to Market*. New York: Oxford University Press, 1996; pp. 1-21.

Economic Decision-Making (Week 9, 10)

Wang, James. *Contemporary Chinese Politics: An Introduction*. Seventh edition. Upper Saddle River, NJ: Simon & Schuster, 2000. Chapter 4, "Political Institutions of the Party-State: Structural Issues and the Policy Process," pp. 69-104. (Skip p. 80f. on Central Advisory Commission, take this reading very easy. Focus on what is covered in class)

Hamrin, Carol Lee. "The Party Leadership System," Chapter 5 in Kenneth G. Lieberthal and David M. Lampton (eds.), *Bureaucracy, Politics, and Decision Making in Post-Mao China*, Berkeley: University of California Press, 1992, pp. 96-121/4.

Amnesty International Report 2004. Section on China (<http://web.amnesty.org/report2004/chn-summary-eng>).

Recommended: Donald and Benewick (2005), pp. 54-7, 60f.; or Benewick and Donald (1999), pp. 46-9, 56f.

Pei, Minxin. "China's Governance Crisis." *Foreign Affairs* 81, no. 5 (Sept./Oct. 2002): 96-107.

Heilmann, Sebastian. "Regulatory Innovation by Leninist Means: Communist Party Supervision in China's Financial Industry." *The China Quarterly*, no. 181 (March 2005): 1-21.

Development Theories and Strategies (Week 11)

Lin, Justin Yifu. "Development Strategy, Viability, and Economic Convergence." *Economic Development and Cultural Change* 51, no. 2 (Jan. 03): 277-308, in particular pp. 277-94.

Wang, Jian. "The Correct Strategy for Long-Term Economic Development—Concept of the Development Strategy of Joining the 'Great International Cycle'." *Chinese Economic Studies* 25, no. 1 (Fall 1991): 7-15.

Recommended: Eckstein, Alexander. "Development Strategies and Policies in Contemporary China," Chapter 2 in Alexander Eckstein, ed., *China's Economic Revolution*, Cambridge: Cambridge University Press, 1977, pp. 31-65.

Agriculture (Week 12)

Crook, Frederick. "China's Current Household Contract System." *CPE Agriculture Report*, May-June 1989: 26-30, and July-August 1989: 27-33.

Rozelle, Scott, Albert Park, Jikun Huang, and Hehui Jin. "Bureaucrat to Entrepreneur: The Changing Role of the State in China's Grain Economy." *Economic Development and Cultural Change* 48, no. 2 (Jan. 2000): 227-52.

Industry (Week 13)

Zeng Ming, and Peter J. Williamson. "The Hidden Dragons." *Harvard Business Review* 81, no. 10 (October 2003): 92-99.

Chan, Anita. "A 'Race to the Bottom'." *China Perspectives*, no. 46 (March/April 2003): 41-49. & "Recent Trends in Chinese Labour Issues: Signs of Change." *China Perspectives*, no. 57 (Jan./Feb. 2005): 23-31.

Recommended: Holz, Carsten A. *China's Industrial State-owned Enterprises: Between Profitability and Bankruptcy*. Singapore: World Scientific, 2003, Chapter 8 (pp. 243-87).

Social Security System (Week 14)

国务院研究室课题组。中国农民工调研报告。北京：中国信实出版社，2006，pp. 1-18.

Optional: 中国的社会保障状况和政策。《国务院公报》#32/2004, pp. 37-46.

Optional individual regulations:

国务院关于建立统一的企业职工基本养老保险制度的决定。《中国人民银行文告》#13/1997 (16 Oct. 1997): 10-12.

失业保险条例。《中华人民共和国国务院公报》#3/1999 (26 Feb. 1999), pp. 69-74.

城市居民最低生活保障条例。《中华人民共和国国务院公报》#33/1999 (26 Oct. 1999), pp. 1453-6.

国务院关于建立城镇职工基本医疗保险制度的决定。In 社会保险政策法规选编。北京:中国法制出版社, 1999, pp. 62-6.

ASSIGNMENTS

Ass. 1 (due 7 February)

江泽民. 高举邓小平理论伟大旗帜,把建设有中国特色社会主义事业全面推想二十一世纪. 在中国共产党第十五次全国代表大会上的报告. 12 Sept.1997. Section 5 on economic reform.

Ass. 2 (due 14 February)

监察部, 国务院纠正行业不正之风办公室: 关于 2006 年纠正工作实施意见的通知。《国务院公报》#14/2006, pp. 34-7.

国务院办公厅: 2006 年全国整顿和规范市场经济秩序工作要点。《国务院公报》#14/2006, pp. 37-9.

Ass. 3 (due 28 February)

李振中. 计划经济学(修订本). 北京: 中国人民大学出版社, 1988, pp. 17-21.

中国人民银行党委书记、行长周小川. 兴起学习贯彻“三个代表”重要思想新高潮全面促进中央银行工作。《中国金融》#15/2003, pp. 4-6.

Ass. 4 (due 14 March)

“管煤勾结”正解。《财经》#143/2005, pp. 91f.

陕西省人民政府关于做好 2005 年煤炭订货工作的通知。《陕西人民政府公报》#21/2004, p. 34.

陕西省人民政府办公厅关于印发《2005 年价格工作要点》的通知。陕西人民政府公报 #6/2005, pp. 33-6.

Ass. 5 (due 21 March)

第十届全国人民代表大会第四次会议关于 2005 年国民经济和社会发展计划执行情况与 2006 年国民经济和社会发展计划草案的报告。2006 年 3 月 5 日。《中华人民共和国国务院公报》#13/2006, pp. 9-18.

Ass. 6 (due 28 March)

国务院关于落实《中华人民共和国国民经济和社会发展第十一个五年规划纲要》主要目标和任务工作分工的通知。2006 年 8 月 14 日。《中华人民共和国国务院公报》#29/2006, pp. 30-6.

《六中全会确立构建和谐社会目标》。2006 年 10 月 12 日。信报, 12 Oct. 2006, p. 10.

Ass. 7 (due 11 April)

Zweig, David. “Undemocratic Capitalism: China and the Limits of Economism.” *The National Interest*, no. 56 (Summer 1999): 63-72.

Li, Shaomin. “We Need More Oxen, Not Monkeys.” 2pp.

Ass. 8 (due 18 April)

抚顺选举“地震”。《财经》#77-78/2003, pp. 32-5.

中国司法独立的制度保障。信报 7 Oct. 2000, p. 4. 甘肃一法院发生爆炸案。《财经》#151/2006, pp. 108f.

Ass. 9 (due 25 April)

拆解黑龙江卖官链。《财经》#132/2005, pp. 24-39.

Ass. 10 (due 9 May)

民选女村官艰难维权。《财经》#108/2004, pp. 18f.

河北定州村民曹袭。《财经》#137/2005, pp. 112f. 《新京报》总编辑被免职。信报 30 Dec. 2005, p. 5.

Ass. 11 (due 2 May)

深圳农地转国有之感。《财经》#116/2004, pp. 92-94.

农村土地立法三难题。《财经》#148/2005, pp. 26f.

4000 万失地农民社保悬念。《财经》#158/2006, pp. 76f.

Ass. 12 (due 16 May)

屏南环保讼案: 悲哀的交易。《财经》#141/2005, pp. 116, 118.

CLASS MATERIALS (these are mostly individual pages)

Table of short- vs. long-form characters

Introduction to China's Reform Period Economy

Lecture overview

Vocabulary list on economic geography

Map of China, in: The Hongkong and Shanghai Banking Corporation Limited. *Business Profile Series China*. Twelfth edition, Summer 1997; p. 2f.

中国政区 (map with Chinese characters)

Real GDP Growth and Inflation 1953-2004

Events 1976-2006

Central Planning

Lecture overview

Greenwald, Douglas (ed.). *The McGraw-Hill Encyclopedia of Economics*. Second edition. New York: McGraw-Hill, 1994; pp. 547-51.

Market economy

Lecture overview

Kohler, Heinz. *Comparative Economic Systems*. Glenview, Illinois: Scott, Foresman, and Company, 1989, Fig. 12.1-12.6

Production and Investment Coordination

Lecture overview

Vocabulary list on production and investment coordination

Lyons, Thomas P. "Planning and Interprovincial Co-ordination in Maoist China." *The China Quarterly* 121 (March 1990): 39, 42, 46.

Administrative structure chart

Relationship/ leadership chart

Economic Transition

Lecture overview

Byrd, William, and Alan Gelb. "Township, Village and Private Industry in China's Economic Reform." In Jaime de Melo and Andre Sapir (eds.). *Trade Theory and Economic Reform: North, South, and East: Essays in Honor of Bela Balassa*. Oxford: Blackwell, 1991, p. 338.

World Development Report 1996: From Plan to Market. New York: Oxford University Press, 1996; Tables 3.1 and 3.2 (p. 52f).

Two charts with sectoral growth rates

US-China Bilateral Agreement on China's Accession to WTO, Banking and Securities Fact Sheet

Economic Decision-Making

Lecture overview

Vocabulary list on economic decision-making

Party structure (Townsend, James R, and Brantly Womack. *Politics China*. Third edition. Boston: Little, Brown and Company, 1986, p. 88.)

中国共产党章程 (14 Nov. 2002), Sections 2-5.

Government structure (The Hongkong and Shanghai Banking Corporation Limited. *Business Profile Series China*. Twelfth edition, Summer 1997, p. 6.)

中华人民共和国宪法 (14 March 2004), Sections 3.1-3.3.

"The Main National Leadership of the PRC." *China aktuell*.

Chinese regulatory glossary

Selected Financial Institutions in China

Salary rank (中国人民银行总行人事司。金融人事工作概要。北京：中国金融出版社，1994，p. 276f.)

Development Theories and Strategies

Lecture overview (Development strategies in China)

Agriculture

Lecture overview

Yeh, Anthony Gar-On, and Wu Fulong. "The New Land Development Process and Urban Development in Chinese Cities." *International Journal of Urban and Regional Research* 20, no. 2 (June 1996): Figure 1 (p. 339), Table 1 (p. 340), Figure 2 (p. 349).

中共西安市委办公厅，西安市人民政府办公厅关于对我市延长土地承包期工作进行检查的通知。《西安政报》#3/1999, p. 27.

西安市人民政府关于公布西安市国有土地级别和基准地价的通知。《西安政报》#9/2000, p. 8.

Employment statistics (*Statistical Yearbook 2004*)

Industry

Lecture overview

Anita Chan: Recent Trends in Chinese Labour Issues: Signs of Change

Holz, Carsten A., and Yi-min Lin. "The 1997-1998 Break in Industrial Statistical: Facts and Appraisal." *China Economic Review* 12, no. 4 (2001), pp. 306f.

Shaanxi tongji nianjian 2004, pp. 301, 306 (above-norm industrial enterprises)

Industrial SOE Reform

World Bank. *China's Management of Enterprise Assets: the State As a Shareholder*. World Bank: Washington, D.C., 1997; Figures 3.2 and 3.4.

Social Security System

Social security programs

Vocabulary list on social security

城市社会保障统计与评估指标体系之研究。《中国统计》#10/2000: 23 (chart only).

Films

Morning Sun

China in the Red

China Blue

Additional Readings on China's Economy and Data Sources

The library maintains a course webpage for SOSC 181 with resource recommendations:
<http://library.ust.hk/guides/sosc181.html>

For data on China:

2006 中国统计年鉴 (China Statistical Yearbook [bilingual edition]). 北京: 中国统计出版社, 2006, in the reference section of the library (HA4631.C47) --- latest issue could be of 2005.

For news articles, laws and regulations, statistics, and more: China Infobank (online database in library)

General/ background readings

- Chow, Gregory. *China's Economic Transformation*. Malden, Mass.: Blackwell Publishers, 2002. (This book is good for those with a background in economics.)
- Holz, Carsten A. *China's Industrial State-owned Enterprises: Between Profitability and Bankruptcy*. Singapore: World Scientific, 2003.
- Lieberthal, Kenneth. *Governing China: From Revolution Through Reform*. New York: Norton, 1995. (This book focuses on politics.)
- Lin, Justin Yifu, Fang Cai, and Zhou Li. *The China Miracle: Development Strategy and Economic Reform*. Revised edition. Hong Kong: Chinese University Press, 2003.
- Naughton, Barry. *Growing Out of the Plan: Chinese Economic Reform 1978-1993*. Cambridge: Cambridge University Press, 1996.
- Naughton, Barry. *The Chinese Economy: Transitions and Growth*. Cambridge, MA: The MIT Press, 2007.
- OECD Economic Surveys: China*. Paris: OECD, 2005.
- Riskin, Carl. *China's Political Economy: The Quest for Development Since 1949*. Oxford: Oxford University Press, 1991.
- Walder, Andrew G., ed. *China's Transitional Economy*. Oxford: Oxford University Press, 1996.
- Woetzel, Jonathan R. *Capitalist China: Strategies for a Revolutionized Economy*. Singapore: John Wiley & Sons, 2003. (This is a popular more than an academic book, business-oriented, focusing on individual companies and industrial sectors.)

The Asian Development Bank has a chapter on China in its annual *Asian Development Outlook* (and also has other China-specific reports): <http://www.adb.org/China/default.asp>

Interesting readings

- Chang, Jung. *Wild Swans: Three Daughters of China*. New York: Anchor Books, 1992, or any other edition. [Reserve DS 774.C3718 1992] China through the eyes of three generations of a family; covers just about all the main historical/political/economic events, from a personal, every-day life perspective. Gripping. Also available in Chinese.
- Johnson, Ian. *Wild Grass: China's Revolution from Below*. London: Penguin, 2004, or any other edition. (Also as: *Wild Grass: Three Stories of Change in Modern China*. New York: Pantheon Books, 2004.) [Reserve JQ 1516.J64 2004] Three highly interesting, current-day stories of what it's really like to be (mainland) Chinese and live in China. Captures well different aspects of what's going on in China on the ground.
- Orwell, George. *Animal Farm*. San Diego : Harcourt Brace Jovanovich, [1990?] 1974. [Reserve PR6029.R8 A63 1990]. Brutally simple and direct depiction of Communist revolution and dictatorship. Short.
- Rand, Ayn. *Atlas Shrugged*. New York: Dutton, 1992, or any other edition. [Reserve PS 3535.A547 A94 1992] Fictional account of the U.S. turning Communist; heavy market economics packaged in an exciting story. Do not start reading this book before an exam. (You may not be able to stop reading, and it's long.)

All four books are available in (cheap) paperback editions.