

Carsten Holz
SOSC 260 China's Economy
Fall 2002, MWF 10:00-10:50, LTG

OH: Wednesday 11:00-12:00, Friday 11:00-12:00, room 3382

E-mail: socholz@ust.hk

Course website: <http://teaching.ust.hk/~sosc260>

Assignment questions: <http://teaching.ust.hk/~sosc260/assignment-questions.html>

Teaching assistant:

OH:

E-mail:

Course objectives

- Employ different analytical approaches to understand the functioning of China's reform period economy.
- Determine the degree and characteristics of China's economic transition and development.
- Identify and discuss major economic problems China is facing today.

Requirements and grading

Grades are based on three examinations, assignments, and one short essay. The first two examinations each account for 22% of the final grade. The second examination is not cumulative. The third (final) examination is cumulative and accounts for 42% of the final grade. Assignments earn one percentage point each up to a maximum of 10% of the final grade. One short essay accounts for 4% of the final grade.

There are twelve assignments. Assignments are graded Pass/Fail. Assignment questions usually refer to newspaper articles or regulations or require a short internet or library search. A maximum of ten assignments count towards the final grade; in other words, two assignments are 'extra.' *All* assignments are exam-relevant.

The assignment questions are posted at <http://teaching.ust.hk/~sosc260/assignment-questions.html>; you can hand in your answers in class or send them by e-mail to sosc260@ust.hk. If you hand in your answers in class (at the beginning of class), make sure to retain a copy of your answers for use during the class. If you e-mail your answer to sosc260@ust.hk, place your answers in the body of the e-mail (not as attachment) and cc a copy to yourself, print it out and bring it to class; in the subject field of the e-mail you must place (i) the assignment number, (ii) your student ID, and (iii) your name. Answers are due by 10:00am of the day listed with the assignment.

* 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 characters either in Chinese or in pinyin.

* You are free to cooperate with other students, but everybody must write his/her own answer.

* You must be able to answer the assignment questions during discussions in class (bring a copy of your answers to class for use during the class).

The essay involves a choice of two essay questions, which are announced about seven days before the end of this course. Choose one of the two questions and write a 1000-word answer (essay). A "normal," good essay earns 4%. If there is some serious shortcoming, the mark is 2%. If there is some very seriously deficient performance or no performance, the mark is 0%. Write your essay in English language. Hand in a hard copy in class; do not send as e-mail. The deadline is 2 December 2002, 10:00 am.

Examination schedule:

First exam 4 October

Second exam 13 November

Third exam In examination period, date will be announced by the university

Class materials, assignment materials, readings

Class materials consist of short lecture overviews, vocabulary lists, figures, tables and charts used in class. There are approximately 5-10 pages of class materials per week. They are similar to “lecture notes,” except that there is no explanatory text.

Assignment materials consist of all articles and regulations and other materials needed to do the assignments. There are approximately 8-15 pages of assignment materials per assignment. Most assignment materials are in short-form Chinese characters.

The course has required readings. Examinations may contain a small number of questions on material contained in the readings but not covered in class or assignments. The course requires no textbook.

Class materials, assignment materials, and readings are/ will be on reserve at the Reserve desk on the first floor of the library. Other ways to obtain these materials may be announced in class. A detailed list of class materials, assignment materials, and readings is appended below.

Course structure

China’s Economy courses tend to fall into two categories: (i) courses on the economic history of China, and (ii) courses that focus on individual research topics. HKUST students repeatedly expressed their interest in China’s reform period economy (rather than economic history). A course focusing on research topics requires advanced econometric and mathematical skills that non-economists are unlikely to possess. This course therefore takes a different road by focusing on the analytical approaches offered by two/ three economic disciplines: comparative economic systems, transition of economic systems, and economic development. For each discipline, some analytical tools and concepts not specific to China are introduced first, followed by their application to China. Two important historical issues, the question of why China did not industrialize earlier, and the agricultural collectivization of the 1950s, have been folded into the development section.

This course does not cover China’s financial system. A separate course on China’s financial system (SOSC 359) may be offered later.

I. Introduction to China’s Reform Period Economy

- A. Economic Geography [Week 1: 2 Sept. -]
- B. Reform Period Overview [Week 2: 9 Sept. -]

II. Comparative Economic Systems

- A. Central Planning (not China-specific) [Week 2: 9 Sept. - ; Week 3: 16 Sept. -]
- B. Market Economy (not China-specific) [Week 3: 16 Sept. -]
- C. Production and Investment Coordination (in China) [Week 4: 23 Sept. - ; Week 5: 30 Sept. -]

III. Economic Decision-Making

[Week 6: 7 Oct. -]

IV. Process of Transition

- A. Issues in Economic Transition (only partly China-specific) [Week 7: 16 Oct. -]
- B. China vs. Other Transition Countries [Week 8: 21 Oct. -]
- C. Enterprise and Land Ownership [Week 9: 28 Oct. -]
- D. Social Security Reform [Week 10: 4 Nov. -]

V. Economic Development and Structural Change

- A. Issues in Economic Development and Structural Change (only partly China-specific) [Week 10: 4 Nov. - ; Week 11: 11 Nov. -]
- B. Agriculture [Week 12: 18 Nov. -]
- C. Industry [Week 13: 25 Nov. -]
- D. Trade / Transnational Corporations [Week 14: 2 Dec. -]

VI. Macroeconomic Issues (if we have time)

Class Materials

Table of short- vs. long-form characters
Course structure (overview sheet)

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)

Events 1976-2001

Central Planning

Lecture overview

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

Various output definitions

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 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, 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 (29 March 1993), Sections 3.1-3.4.

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

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.)

Issues in Economic Transition; China Vs. Other Transition Countries

Lecture overview

"Lessons of Transition." *The Economist*, 29th June 1996, 83.

World Development Report 1996: From Plan to Market. New York: Oxford University Press, 1996; Tables 1.1, 1.2, 2.1; Figures 1.2-1.6, 2.1-2.4, 2.8.

Transition table (Reform experiences...)

Enterprise and Land Ownership

Lecture overview

Vocabulary list on enterprise and land ownership

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).

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).

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.

Tam, On Kit. *The Development of Corporate Governance in China*. Cheltenham, UK: Edward Elgar, 1999; Figures 7.1 and 7.2.

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.

Social Security Reform

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).

Issues in Economic Development and Structural Change

Lecture overview (Classical Economists and neoclassical growth models)

Lecture overview (Developmentalist Theories)

Lecture overview (Development Strategies in China 1949-1970s)

Agriculture

Lecture overview

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

Table on type and level of price determination

Bernstein, Thomas P., and Xiaobo Lu. "Taxation without Representation: Peasants, the Central and the Local States in Reform China." *The China Quarterly*, no. 163 (Sept. 2000): Tables 1, 2, 4-6.

Industry

Lecture overview

Cypher (1997) Figures 9.1-9.3, Table 10.3

Nolan, Peter. "Large Firms and Industrial Reform in Former Planned Economies: The Case of China." *Cambridge Journal of Economics*, no. 20 (January 1996); Tables 3-6, 10

Trade / Transnational Corporations

Lecture overview

Distribution system

Assignment materials

Assignment questions are posted at <http://teaching.ust.hk/~sosc260/assignment-questions.html>.

Ass. 1 (due 9 September)

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 only.)

Ass. 2 (due 16 September)

国务院关于整顿和规范市场经济秩序的决定. 《中华人民共和国国务院公报》#18/2001 (30 June 2001), pp. 7-11。

国家计委贯彻国务院关于整顿和规范市场经济秩序的决定通知. 《中华人民共和国国务院公报》#9/2002 (30 March 2002), pp. 15f.

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.

Ass. 3 (due 23 September)

第九届全国人民代表大会第五次会议关于 2001 年国民经济和社会发展计划执行情况与 2002 年国民经济和社会发展计划的决议. 2002 年 3 月 15 日. 《中华人民共和国国务院公报》#10/2002, pp. 14-21。

陕西省人民政府办公厅关于印发 2002 年全省经贸工作要点的通知. (11 April 2002) 《陕西政报》#9/2002, pp. 34-39.

陕西省志编纂委员会. 陕西省志, 第三十八卷, 计划志. 西安: 陕西人民出版社, 1995, selected passages from pp. 406-15.

Internet on: State (Development and) Planning Commission 国家发展计划委员会, Finance Ministry 财政部, State Economic (and Trade) Commission 国家经济贸易委员会, Ministry of Foreign Economic Relations and Trade 对外贸易经济合作部, People's Bank of China 中国人民银行

Ass. 4 (due 30 September)

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

中国共产党农村基层组织工作条例. In 中共中央文献研究室, 十五大以来重要文献选编, 北京: 人民出版社, 2000, pp. 760-8.

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

"中国司法独立的制度保障." 信报 7 Oct. 2000, p. 4.

"贪污腐败不除,安定繁荣堪虞." 信报 15 Sept. 2000, p. 2

Ass. 5 (due 7 October)

Communiqué of the Third Plenary Session of the 11th Central Committee of The Communist Party of China." *Peking Review* 21, no. 52 (29 December 1978): 6-16.

张荣刚, 刘小玄. 国有企业的债务困境及其原因. 《经济研究》#2/1996, pp. 59-66.

范恒山. 国有小企业改革: 进展与问题. 《经济研究参考》#13/1997 (7 Feb. 1997), pp. 33-38.

Ass. 6 (due 16 October)

Selected articles as assigned in class:

1a. 国务院向国有重点大型企业派出稽察特派员的方案. 《陕西政报》#11/1998, pp. 10f.

1b. 国务院稽察特派员条例. 《陕西政报》#14/1998 年第, pp. 5-7.

2a. 中共西安市委办公厅西安市人民政府办公厅印发《关于进一步放开搞活国有小企业的实施意见》的通知. 《西安政报》#2/1998, pp. 19-22.

2b. 西安市人民政府关于下达 2000 年国有大中型企业建立现代企业制度和扭亏脱困工作目标任务的. 《西安政报》#9/2000, pp. 20-26.

- 3a. 西安市经济体制改革委员会关于鼓励国有小企业实行股份合作制的意见。
《西安政报》 #8/1998, p. 42.
- 3b. 我市股份制改革硕果累累。《西安政报》 #3/1999, p. 40.
- 3c. 西安市人民政府关于成立西安市放开搞活国有小企业及大力发展非公有制经济领导小组的通知。《西安政报》 #1/1998, p. 37.
- 3d. 平利县在国有企业改制中关于银行债务的几种处理办法。《陕西政报》 #12/1998, p. 40.

Ass. 7 (due 21 October)

- 国有大中性亏损企业: 三年脱困? 《中国统计》 #7/1999, p. 35f.
- Gregory, Neil, and Stoyan Tenev. "The Financing of Private Enterprise in China." *Finance & Development* (March 2001): 14-7.
- 国企不按商业原则办事惹连串问题. 信报 19 June 2002, p. 3.

Ass. 8 (due 28 October)

1. Pension system
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.
国务院关于实行企业职工基本养老保险省级统筹和行业统筹移交地方管理有关问题的通知。《中华人民共和国国务院公报》 #21/1998 (15 Sept. 1998), pp. 829-32.
2. Unemployment insurance
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.
西安市人民政府关于下达 1998 年度失业岗职工分流安置任务指标的通知。《西安政报》 #3/1998, p. 12f.
3. Basic urban living allowance
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.
陕西省人民政府办公厅关于进一步加强城市居民最低生活保障工作的通知。《陕西政报》 #7/2002, pp. 34f.
中共西安市委, 西安市人民政府关于切实做好全市国有企业下岗职工基本生活保障和再就业工作的实施意见。《西安政报》 #8/1998, pp. 12-16.

Ass. 9 (due 4 November)

- 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.
- 农村医保风雨飘摇. 财经 20 April 2002 (no. 58), pp. 87f, 90, 92-94.
- 肥西:一个自我修复的"样本". 财经. 20 April 2002 (no. 58), pp. 96, 98.
- 人力资本投资与农村医疗保障. 财经 20 April 2002 (no. 58), p. 99.

Ass 10 (due 11 November)

- 漫谈中国第一个五年计划. 信报 14 March 2001, p. 14.
- 国务院有关部委对西部大开发的政策措施汇编。《金融研究报告》 #5/2000, pp 1-9.
- 国务院办公厅转发农业部等部门关于巩固大检查成果进一步做好减轻农民负担工作报告的通知。
《中华人民共和国国务院公报》 #20/2000 (20 July 2000), pp. 18-21.

Ass. 11 (due 18 November)

- 国务院办公厅关于吉林, 湖北, 两省粮食企业亏损情况的通知。《中华人民共和国国务院公报》 #37/1997 (24 Dec. 1997), pp. 1596-1602.
- 国务院办公厅关于部分粮食品种退出保护价收购范围有关问题的通知。《陕西政报》 #5/2000, pp. 11f.
- 陕西省人民政府关于做好 2000 年夏粮收购工作的通知。《陕西政报》 # 13/2002, pp. 19f.

陕西省人民政府办公厅关于印发陕西省农村税费改革试点工作方案. 《陕西政报》 # 10/2002, pp. 30-35.

Ass. 12 (due 25 November)

http://www.tid.gov.hk/english/trade_relations/topicalissues/chinaccesswto.html (information on WTO)

中国加入 WTO 将付出高昂代价。信报 27 May 1999, p. 13.

中国仍未做好加入世贸的准备。信报 28 May 1999, p. 30.

西安市人民政府关于批转西安市 2001 年利用外资目标计划分解及考核奖励办法的通知. 《西安政报》 #6/2001, pp. 12-13.

中华人民共和国国务院令第 346 号. 引导外资投资方向规定. 《陕西政报》 #10/2002, pp. 22f.

中国统计年鉴 2001(北京:中国统计出版社, 2001), pp. 49, 554f, 586-8, 591-3, 599-602, 604-6.

Readings

Used in the course (and referred to in the list below):

Benewick, Robert, and Stephanie Donald. *The State of China Atlas*. London: Penguin Reference, 1999. --- This book is a collection of maps on individual topics, with some limited text. We will use about one dozen of the maps in class, and the book is nice to have even after the course.

Cypher, James M., and James L. Dietz. *The Process of Economic Development*. London: Routledge, 1997. --- We'll be covering several chapters of this book when we talk about economic development (not China-specific).

Economic Geography

Benewick, Robert, and Stephanie Donald. *The State of China Atlas*. London: Penguin Reference, 1999; pp. 14, 17, 25, 28, 29, 31, 37, 39, 61, 69, 71, 75, 85, 87, 93.

Optional:

For large-scale, excellent maps on China's economy see in the library: The National Economic Atlas of China. Hong Kong: Oxford University Press, 1994. Reference G2306.G1 N3 1994. Some pages of interest are 2f, 8 top, 9 top, 11f, 15f, 19f, 21f, 32, 34, 36, 37, 43, 74f, 98, 195, 197, 199.

Reform Period Overview

Lin, Cyril Z. "The Assessment: Chinese Economic Reform in Retrospect and Prospect." *Oxford Review of Economic Policy* 11, no. 4 (1995): 1-24 (focus on 1-3, 6-21).

Optional:

The Hongkong and Shanghai Banking Corporation Limited. *Business Profile Series China*. Twelfth edition, Summer 1997, pp. 2-21. (Skim for no more than a quick overview; don't go into any details.)

Central Planning (not China-specific)

Kohler, Heinz. *Comparative Economic Systems*. Glenview, Illinois: Scott, Foresman, and Company, 1989. Chapter 6, "Centralized Socialism: A Model" (pp. 86-126, but skip pp. 95-99, 102-4, and 110-12; answers to questions are on pp. 494-501 (do questions 1-6, 8)).

Optional:

If you are interested in the matrix calculations in the above chapter—not needed for this course—but are not familiar with matrix calculation, you could take a look at Alpha C. Chiang, *Fundamental Methods of Mathematical Economics*, third edition, Singapore: McGraw-Hill Book Company (International editions), Chapters 4 and 5 (Chapter 5 includes a subsection on Leontief Input-Output Models).

Market Economy (not China-specific)

Kohler, Heinz. *Comparative Economic Systems*. Glenview, Illinois: Scott, Foresman, and Company, 1989. Chapter 12, "Market Capitalism: A Model" (pp. 332-65, except pp. 351-54 on Pareto conditions; answers to questions are on pp. 520-27 (do questions 1, 3, 4, 7, 10; questions 2 and 8 are optional)).

Production and Investment Coordination

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

Wang Lixin and Joseph Fewsmith. "Bulwark of the Planned Economy: The Structure and Role of the State Planning Commission," Chapter 5 in Carol Lee Hamrin and Zhao Suisheng, eds., *Decision-Making in Deng's China: Perspectives From Insiders*, Armonk (N.Y.): M.E. Sharpe, 1995, pp. 51-65.

陕西省志编纂委员会. 陕西省志, 第三十八卷, 计划志. 西安: 陕西人民出版社, 1995, pp. 63-94. (Focus on passages about the years since 1976 and don't be concerned with details; try to get an idea of how the planning system works: p. 63 introductory paragraphs, p. 67 to top-74 as relevant to reform period, p. 76 lower half, p. 81 lower half to mid-82, p. 83 lower half, p. 84 upper half, p. 85 bottom, p. 86 lower half, p. 89 and glance at rest.)

Economic Decision-Making

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. 80 on Central Advisory Commission, pp. 87f on Provincial...; skip historical details). Similarly for sixth edition, 1999.

Benewick, Robert, and Stephanie Donald. *The State of China Atlas*. London: Penguin Reference, 1999; pp. 48, 49, 56, 57.

Optional:

Lieberthal, Kenneth. *Governing China: From Revolution Through Reform*. New York: W.W. Norton & Company, Inc., 1995. Chapter 6, pp. 155-82, and Chapter 7, pp. 183-96, 203-18.

Manion, Melanie. "Chinese Democratization in Perspective: Electorates and Selectorates at the Township Level." *The China Quarterly*, no. 146 (Sept. 2000): 764-82.

李谷城. 认识中国: 政权结构. 香港: 明报出版社, 1997, pp. 18-65.

李谷城. 认识中国: 共产党. 香港: 明报出版社, 1997, pp. 50-60.

Issues in Economic Transition

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

Optional:

Wang Shaoguang. "Learning by Debating: The Changing role of the State in China's Economy and Economic Theories." *Policy Studies Journal* 23, no. 1 (1995): 11-25.

China Vs. Other Transition Countries

Woo, Wing Thy. "The Art of Reforming Centrally Planned Economies: Comparing China, Poland, and Russia." *Journal of Comparative Economics* 18, no. 3 (June 1994): 276-308.

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.

Optional:

Woo, Wing Thy. "The Real Reasons for China's Growth." *The China Journal*, no. 41 (Jan. 1999): 115-37.

Enterprise and Land Ownership

Unger, Jonathan, and Anita Chan. "Inheritors of the Boom: Private Enterprise and the Role of Local Government in a Rural South China Township." *The China Journal*, no. 42 (July 1999): 45-74.

Benewick, Robert, and Stephanie Donald. *The State of China Atlas*. London: Penguin Reference, 1999; p. 30.

Optional:

Chang, Chun, and Yijiang Wang. "The Nature of the Township-Village Enterprise." *Journal of Comparative Economics*, no. 19 (Dec. 1994): 434-52.

Perkins, Dwight H. "Summary: Why Is Reforming State Owned Enterprises so Difficult?" *China Economic Review* 4, no. 2 (1993): 149-51.

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): 330-53 (in particular pp. 332-50).

Zweig, David. "The 'Externalities of Development': Can New Political Institutions Manage Rural Conflict?" Working Papers in the Social Sciences, No. 45 (10 March 1999).

Social Security Reform

Barr, Nicholas. "The Pension Puzzle: Prerequisites and Policy Choices in Pension Design." *Economic Issues* 29. Washington, D.C.: International Monetary Fund, 2002.

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