

**University of Southern California**  
**Department of Economics**  
**Fall 2010**

**Economics 346 Economics of Transition and Development: China**  
Monday/Wednesday 12-1:50pm, KAP156

**Instructor:** Carsten A. HOLZ

Office hours: Wednesday 10:30-11:30 and by appointment, KAP 306E

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Blackboard is used

Teaching assistant: probably not available

Prerequisites: as determined by the Dept. of Economics

### **Course description**

This course covers a number of aspects of the Chinese economy. Understanding China's economy is of intrinsic interest as one-fifth of the world population (four times the U.S. population) lives in China. It is also of interest in that China's economic growth has effects far beyond China's borders.

Aspects of China's economy covered in this course are:

- Economic history: given China's technological superiority over the West at times in the past, why did China fall behind and not industrialize earlier?
- Economic geography: what are the underlying geographic realities of China's economy?
- Economic transition: China has undergone (and is still undergoing) a process of economic transition from a semi-planned to a market-oriented economy. What was / is the process? What made the transition so successful in terms of economic growth? What are the variations of government involvement in the economy, and their implications?
- Economic development: economic transition is accompanied by a rapid process of economic development—how does it proceed in China, and how does China's experience relate to traditional concepts of development economics?
- Politics and culture: China's political institutions differ from those of the West, and so do many cultural and political values—what is their economic relevance?
- Impact of China's economic growth worldwide: the economic rise of China has implications for economies (and people) around the world, through channels ranging from foreign trade to migration and environmental issues.

## Requirements and grading

Quizzes: 10%. 2.5% (pass/fail) for each quiz up to a maximum of 4 quizzes, out of approximately 6. Quizzes cover the required readings of that class. Quizzes are not announced. Quizzes will not be returned. No quiz in Week 1 and Week 7.

Assignments: 20%. 2% (pass/fail) for each assignment up to a maximum of 10 assignments, out of approximately 12. Assignments will not be returned.

Midterm exam: 30%. 6 October 2010, in class, closed-book.

Final exam: 40%. Scheduled by the university in the final exam period, cumulative, closed-book.

Active class participation is expected.

## Learning outcomes

On completing this course, students should be able to

- enter an academic or business discussion of the Chinese economy in an informed manner;
- bring a quality of judgment and evaluation to dispersed information on the Chinese economy, whether that is in evaluating the reliability of the information, its significance given a particular question, or its relevance in the larger context of China's economic development;
- apply basic concepts of development economics (to China and other countries);
- independently investigate topics related to the Chinese economy.

The midterm and final exams provide incentives for students to familiarize themselves with facts and theories; they also provide an opportunity to develop an argument. The assignments encourage students to explore and think independently about issues of the Chinese economy.

## Textbooks

This course does not follow one textbook.

You are invited to quickly read through the following text:

Naughton, Barry. *The Chinese Economy: Transitions and Growth*. Cambridge, Mass.: The MIT Press, 2007. [Abbreviated below as BN]

An alternative text is:

Chow, Gregory C. *China's Economic Transformation*. Second edition. Malden, Mass.: Blackwell Publishers, 2007. [Abbreviated below as GC]

We make extensive use of the following text, which covers many aspects of the Chinese economy, but the Naughton text (above) is still a very good, quick, easy-to-read overview:

Brandt, Loren, and Thomas G. Rawski (eds.). *China's Great Economic Transformation*. Cambridge University Press, 2008. [Abbreviated below as LBTR]

If you want to read up on Chinese history, try:

Fairbank, John King, and Merle Goldman. *China: A New History*. Cambridge, Mass.: Harvard University Press, 2006. For this course, Part Three, and in particular Part Four, are of most interest (pp. 255-341, 343-470).

For a focus on economic history see Riskin, Carl. *China's Political Economy: The Quest for Development Since 1949*. Oxford: Oxford University Press, 1991. Covers 1949 through mid-1980s.

There are no "lecture notes," and it's not a ppt class.

### ***Interesting readings***

Consider the following books for non-academic bedtime reading. You may learn more about China from one of these books than from a thousand pages of academic papers.

Chang, Jung. *Wild Swans: Three Daughters of China*. New York: Anchor Books, 1992, or any other edition. 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. Also in Chinese: 鴻：三代中國女人的故事 / 張戎著；張樸譯. 香港：天地圖書有限公司, 2004.

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.) Three stories of what it's like to be (mainland) Chinese and live in China today, from the point of view of a foreign journalist.

Orwell, George. *Animal Farm*. San Diego: Harcourt Brace Jovanovich, [1990?] 1974. Candid depiction of Communist revolution and dictatorship. Short. Not China-specific.

Rand, Ayn. *Atlas Shrugged*. New York: Dutton, 1992, or any other edition. Fictional account of the U.S. turning Communist; market economics packaged as fiction. 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.

Two books that are predominantly positive about Mao Zedong's regime:

Hinton, William. *Fanshen: A Documentary of Revolution in a Chinese Village*. Berkeley: University of California Press, 1997 (and other years). Also at:  
<http://quod.lib.umich.edu/cgi/t/text/text-idx?c=acls;;idno=heb02390>.

Snow, Edgar. *Red Star over China*. New York: Random House, 1938 (and other publishers, other years).

### ***Films***

"Morning Sun." Carma Hinton. (Info: <http://www.morningsun.org/film/index.html>) --- A documentary of where reform-period China is coming from. 117min. For a more personal account see "Huo zhe" by Zhang Yimou.

"China in the Red." (At: <http://www.pbs.org/wgbh/pages/frontline/shows/red/view/>) --- Reform and its consequences on the ground, early 2000s. 120min.

- “China Blue.” 2005 account of work in a blue-jeans factory. Favors labor. 88min.
- “Manufactured Landscapes.” Jennifer Baichwal. 2007. Artistic portrait of industrial production in China. 90min.
- “The Gate of Heavenly Peace.” Carma Hinton. Documentary of the Tian’anmen massacre. 189min.
- “30 Years of Reform.” (RTHK broadcast Jan. 09). At <http://ustlib.ust.hk/record=b1037375>. 44min.
- “Li Shufu’s Dream: the Story of Geely.” In nine segments at <http://www.chinacartimes.com/2007/08/09/li-shufus-dream-the-story-of-geely/>. 46min.

### **The usual fine print**

Exams cover material presented/discussed in class, assignments, and the required readings.

You can appeal exam grading within seven days of return of the work by specifying in writing where (and why) you should get more points. A key issue is fairness to everyone: whatever grading rule was used in grading the exams of the whole class will be maintained.

There are no extra-credit assignments.

Missing exams is acceptable only under the usual extenuating circumstances plus documentation (in case of medical reason, a medical certificate stating explicitly that you have been too ill to work on the day of the exam).

If you miss the midterm exam without accepted excuse, your percentage-score in the final exam will be applied to the maximum points obtainable in the midterm exam, up to a maximum of 80% of the lowest score obtained by any student in the midterm exam. (It must not pay to miss an exam, so the best possible imputed score for someone who misses the midterm exam is 80% of the lowest score in that exam.) If you miss the final exam, the same procedure applies using your midterm exam score, up to a maximum of 70% of the lowest score obtained by any student in the final exam.

What we do in class does not necessarily have a one-to-one correspondence with the required readings. If you cannot attend a class, please try to make an arrangement with a fellow student to share their notes with you. You can also talk to the TA, but the TA cannot replace a class session and is not responsible for repeating a class to you.

Students requesting academic accommodation based on disability are required to register with the Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodation can be obtained from DSP (probably Mon-Fri 8:30-5, Student Union 301, (213) 740-0776).

## Class Schedule and Reading List

\* = “required” reading. Required readings will be available on Blackboard.

(\*) = recommended. The reading may be a bit heavy. Or it may just be that there are already too many required readings for this particular topic. Try to get the gist. If you are short of time or disinterested in this reading, skip it.

As the class proceeds and depending on student interests, there may be slight alterations to the required readings. In the aggregate, the amount of required readings will not be increased (and possibly decreased).

*Week 1 (23 and 25 Aug.)*

### 1. Why Care About the Chinese Economy?

\* Holz, Carsten A. “China’s Economic Growth 1978-2025: What We Know Today about China’s Economic Growth Tomorrow.” *World Development* 36, no. 10 (Oct. 2008): 1665-1691.

\* Pettis, Michael. “China’s Great Demand Challenge.” *Far Eastern Economic Review* 172, no. 1 (Jan./Feb. 2009): 8-13.

\* “The China Price.” *BusinessWeek*, 6 Dec. 2004. At:  
[http://www.businessweek.com/magazine/content/04\\_49/b3911401.htm](http://www.businessweek.com/magazine/content/04_49/b3911401.htm)

(\*) Anderson, Jonathan. *How to Think About China*. UBS Investment Research, Asian Economic Perspectives, January 2006. In particular Part 6, “Seven Ways China Won’t Change the World,” pp. 193-228. At:

<http://www.ceibs.edu/library/new/newresources/images/20070301/5342.pdf>

(\*) Orlik, Tom, and WANG Yong. “China Tells Europe to Mind its Manners.” *Far Eastern Economic Review* 172, no. 2 (March 2009), pp. 53-6.

(\*) PEI Minxin. “The Dark Side of China’s Rise.” *Foreign Policy* 53 (March/April 2006): 32-40. Also at: <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=18110>

(\*) Rodrik, Dani. “Making Room for China in the World Economy.” *American Economic Review: Papers & Proceedings* 100, no. 2 (May 2010): 89-93.

Jefferson, Gary H., Albert Guangzhou HU, and SU Jian. “The Sources and Sustainability of China’s Economic Growth.” *Brookings Papers on Economic Activity*, no. 2 (2006): 1-47.

Perkins Dwight H., and Thomas G. Rawski. “Forecasting China’s Economic Growth to 2025.” Chapter 20 in *LTBR*, pp. 829-86.

*The Economist* article of 29 Nov. 07 on China’s PPP conversion factor. At:

[http://www.economist.com/displayStory.cfm?story\\_id=10209215](http://www.economist.com/displayStory.cfm?story_id=10209215)

BN 6 (meaning: Barry Naughton’s text, see above, Chapter 6)

GC 5 (Gregory Chow text, Ch. 5)

### 2. The Problem of Causality in the Social Sciences

\* King, Gary, Robert O. Keohane, and Sidney Verba. *Designing Social Inquiry: Scientific Inference in Qualitative Research*. Ewing, NJ: Princeton University Press, 1994, Chapter 3, “Causality and Causal Inference,” pp. 75-113, in particular pp. 75-85 and 91-5. If you want, skip the (little) statistics. Chs. 1 and 2 recommended. Also as online book, via library.

\* Friedman, Milton. “The Methodology of Positive Economics.” In Milton Friedman. *Essays in Positive Economics*. Chicago: The University of Chicago Press, 1953, pp. 3-46. Also at: <http://members.shaw.ca/compilerpress1/Anno%20Friedman%20Positive.htm>

Machlup, Fritz. "The Problem of Verification in Economics." Chapter 3 in *Selected Economic Writings of Fritz Machlup* (edited by George Bitros). New York: New York University Press, 1976, pp. 57-79.

Week 2 (30 Aug. and 1 Sept.)

### 3. Why Did China Not Industrialize Earlier?

- \* Elvin, Mark. *The Patterns of the Chinese Past*. Stanford, CA: Stanford University Press, 1973, Chapter 17, "Quantitative Growth, Qualitative Standstill," pp. 285-316.
  - \* Landes, David S. "Why Europe and the West? Why Not China?" *Journal of Economic Perspectives* 20, no. 2 (spring 2006): 3-22.
  - \* LIN, Justin Yifu. "The Needham Puzzle: Why the Industrial Revolution Did Not Originate in China." *Economic Development and Cultural Change* 43, no. 2 (Jan. 1995): 270-92.
  - Brandt, Loren. "Reflections on China's Late 19<sup>th</sup> and Early 20<sup>th</sup> Century Economy." *The China Quarterly* 150, (June 1997): 282-308.
  - Dernberger, Robert F. "The Role of the Foreigner in China's Economic Development, 1840-1949" in Dwight H. Perkins (ed.), *China's Modern Economy in Historical Perspective*, Stanford, CA: Stanford University Press, 1975, pp. 19-47, 305-8.
  - Lippit, Victor D. "Class Structure and the Development of Underdevelopment in China," Chapter 13 in Joseph C.H. Chai (ed.). *The Economic Development of Modern China*, Volume 1, Prewar Economic Development, Cheltenham, U.K. and Northampton, Mass.: Elgar Reference Collection, 2000, pp. 377-402.
  - Myers, Ramon H. "How Did the Modern Chinese Economy Develop?—A Review Article." *The Journal of Asian Studies* 50, no. 3 (Aug. 1991): 604-28.
  - Perkins, Dwight H. "Government As an Obstacle to Industrialization: The Case of Nineteenth-Century China." *Journal of Economic History* 27, no. 4 (Dec. 1967): 478-92.
  - Pomeranz, Kenneth. *The Great Divergence: Europe, China, and the Making of the Modern World Economy*. Princeton, N.J. : Princeton University Press, 2000. "Part One: A World of Surprising Resemblances," Section 2," pp. 69-107.
  - Shiue, Carol H., and Wolfgang Keller. "Markets in China and Europe on the Eve of the Industrial Revolution." *American Economic Review* 97, no. 4 (Sept. 2007): 1189-1216.
  - Stubbs, Richard. *Rethinking Asia's Economic Miracle*. New York: Palgrave Macmillan, 2005. Although this book is not on China, the ideas presented here, on political and military origins of the economic growth of East Asia, are also relevant, in some variation, to China.
- BN 2; GC 1

### 4. Reform Period Overview

- \* 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.) Pre-publication version at <http://elsa.berkeley.edu/~yqian/research.html>
- (\*) Naughton, Barry. "Singularity and Replicability in China's Developmental Experience." 3 January 2009 (presentation at the American Economic Association Meetings), 22pp., available at [http://www.chinapolitik.de/studien/china\\_analysis/no\\_68.pdf](http://www.chinapolitik.de/studien/china_analysis/no_68.pdf).

Heilmann, Sebastian. "Policy Experimentation in China's Economic Rise." *Studies in Comparative International Development* 43, no. 1 (March 2008): 1-26.

BN 4

LBTR 1 (Loren Brandt and Thomas G. Rawski, "China's Great Economic Transformation," pp. 1-26)

*Week 3 (8 Sept. [6 Sept. is a university holiday])*

## **5. Economic geography**

(\*) BN 1

Donald, Stephanie Hemelryk and Robert Benewick. *The State of China Atlas: Mapping the World's Fastest Growing Economy*. Berkeley, CA: University of California Press, 2005, pp. 24, 26f, 37, 40f., 42f, 50f, 72f, 74f, 77, 81, 89, 90f.

For large-scale maps on China's economy see: The National Economic Atlas of China. Hong Kong: Oxford University Press, 1994. Social Science Reference Ctr.(SSRC), Firestone, Oversize G2306.G1 N3 1994e. 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.

<http://www.lizardpoint.com/fun/geoquiz/chinaquiz.html>

<http://www.chinapage.com/map/province-english.jpg>

<http://www.chinapage.org/timemap.html> (list of dynasties, maps)

<http://www.lib.utexas.edu/maps/china.html> -> also click on link at bottom, "country maps"

<http://www.johomaps.com/as/china/chinarail.html> (railway lines)

The following is not geography, but if you get bored in class: Chinese propaganda posters:

<http://www.iisg.nl/~landsberger> (scroll to the bottom of the page for many more)

中亚天然气管道博弈 (China's Gas Pipeline Game). 《财经》 #230 (2 Feb. 2009), pp. 114-6.

LBTR 19 (Kam Wing Chan, J. Vernon Henderson, and Kai Yuen Tsui, "Spatial Dimensions of Chinese Economic Development," pp. 776-828)

*Week 4 (13 and 15 Sept.)*

## **6. Central Planning and Economic Transition**

### **6.1 The theory of centrally planned economies**

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

\* 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)). Take it easy on this reading. See if you can understand what we do in class.

\* Kornai, Janos. "Resource-Constrained versus Demand-Constrained Systems." *Econometrica* 47, no. 4 (July 1979): 801-19.

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).

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.

Week 5 (20 and 22 Sept.)

**6.2 The theory of market economies**

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).

**6.3 The fatal conceit: the errors of socialism**

\* Hayek, Friedrich A. "The Use of Knowledge in Society." *American Economic Review* 35, no. 4 (Sept. 1945): 519-30. (Also available in *The Essence of Hayek* [below])

(\*) Hayek, Friedrich A. *The Fatal Conceit: The Errors of Socialism*. London: Routledge, 1988. The Collected works of F.A. Hayek, vol. 1. Chapter 4, "The Revolt of Instinct and Reason," pp. 48-65, and Chapter 5, "The Fatal Conceit," pp. 66-88.

Hayek, Friedrich A. *The Essence of Hayek*. (Compiled by Nishiyama, Chiaki, and Kurt R. Leube.) Hoover Press Publication, 1984. Chapter 11, "The Use of Knowledge in Society," pp. 211-24, Chapter 12, "Philosophical Consequences," pp. 225-53, Chapter 13, "Competition as a Discovery Procedure," pp. 254-65, and Chapter 14, "The Pretence of Knowledge," pp. 266-77.

Kornai, János. "What the Change of System from Socialism to Capitalism Does and Does Not Mean." *Journal of Economic Perspectives* 14, no. 1 (Winter 2000): 27-42.

Verdery, Katherine. *What Was Socialism, and What Comes Next?* Princeton, NJ: Princeton University Press, 1996. Chapter 1, "What Was Socialism, and Why Did It Fall," pp. 19-30. Also as online book, via library.

**6.4 Planning in China**

\* 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, NY: M.E. Sharpe, 1995, pp. 51-65.

\* 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.

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

\* 第十一届全国人民代表大会第三次会议关于 2009 年国民经济和社会发展计划执行情况与 2010 年国民经济和社会发展计划草案的报告。Report on the implementation of the 2009 plan for national economic and social development and on the 2010 draft plan for national economic and social development. At:

[http://www.ndrc.gov.cn/zjgx/t20100317\\_335146.htm](http://www.ndrc.gov.cn/zjgx/t20100317_335146.htm)

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. There is a NDRC Ma Kai summary of the 11<sup>th</sup> Five-Year Plan at

[http://en.ndrc.gov.cn/newsrelease/t20060323\\_63813.htm](http://en.ndrc.gov.cn/newsrelease/t20060323_63813.htm)



Perkins, Dwight H. "Plans and Their Implementation in the People's Republic of China." *American Economic Review* 63, no. 2 (May 1973): 224-31.  
BN 3; GC 2

### **6.5 Transition in China**

- \* Naughton, Barry. "A Political Economy of China's Economic Transition." Chapter 4 in LBTR, pp. 91-135.
  - \* 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. Pre-publication version at <http://elsa.berkeley.edu/~yqian/research.html>
  - LIN, Justin Yifu. "An Economic Theory of Institutional Change: Induced and Imposed Change." *The Cato Journal* 9, no. 1 (Spring/summer 1989): 1-33.
  - DING X.L. "Institutional Amphibiousness and the Transition from Communism: The Case of China." *British Journal of Political Science* 24 (July 1994): 293-318.
  - McMillan, John, and Barry Naughton. "How to Reform a Planned Economy: Lessons from China." *Oxford Review of Economic Policy* 8, no. 1 (Spring 1992): 130-43.
  - QIAN Yingyi, and XU Chenggang. "Why China's Economic Reforms Differ: The M-Form Hierarchy and Entry/Expansion of the Non-State Sector." *Economics of Transition* 1, no. 2 (June 1993): 135-170. Pre-publication version at <http://elsa.berkeley.edu/~yqian/research.html>
  - Rawski, Thomas G. "Reforming China's Economy: What Have We Learned?" *The China Journal*, no. 41 (Jan. 1999): 139-56.
  - Roland, Gérard. "The Political Economy of Transition." *Journal of Economic Perspectives* 16, no. 1 (Winter 2002): 29-50.
  - Svejnar, Jan. "Transition Economies: Performance and Challenges." *Journal of Economic Perspectives* 16, no. 1 (Winter 2002): 3-28.
  - Woo, Wing-Thye. "The Art of Reforming Centrally Planned Economies: Comparing China, Poland, and Russia." *Journal of Comparative Economics* 18, no. 3 (June 1994): 276-308.
  - World Development Report 1996: From Plan to Market*. New York: Oxford University Press, 1996; pp. 1-21.
- BN 4; GC 3, 4  
LBTR 3 (Jan Svejnar, "China in Light of the Performance of the Transition Economies," pp. 68-90)

*Week 6 (27 and 29 Sept.)*

## **7. Economic Development**

LBTR 2 (Alan Heston and Terry Sicular, "China and Development Economics," pp. 27-67)

### **7.1 Pre-reform period economic development strategies**

- \* Eckstein, Alexander. *China's Economic Revolution*. Cambridge, UK: Cambridge University Press, 1977. Chapter 2, "Development Strategies and Policies in Contemporary China," pp. 31-65.
- \* Perkins, Dwight H. "Growth and Changing Structure of China's Twentieth-Century Economy," in Dwight H. Perkins (ed.), *China's Modern Economy in Historical Perspective*, Stanford, CA: Stanford University Press, 1975, pp. 115-65 (read 115-48).

- \* MAO Zedong. "On the Ten Major Relationships." 25 April 1956. At:  
[http://www.marxists.org/reference/archive/mao/selected-works/volume-5/mswv5\\_51.htm](http://www.marxists.org/reference/archive/mao/selected-works/volume-5/mswv5_51.htm)  
 Cheng Chu-yuan. *China's Economic Development: Growth and Structural Change*. Boulder:  
 Westview Press, 1982.  
 Chapter 9, "The Strategies of Development" (pp. 257-292).  
 Ishikawa, Shigeru. "China's Economic Growth since 1949—An Assessment." *The China  
 Quarterly* 94 (June 1983): 242-81.  
 Riskin, Carl. *China's Political Economy: The Quest for Development Since 1949*. Oxford:  
 Oxford University Press, 1991. The book covers 1949 through mid-1980s and is relevant in  
 full.

BN 3

### **7.2 Reform period economic development strategies**

- \* Hirschman, Albert O. *The Strategy of Economic Development*. New Haven : Yale University  
 Press, 1961. Chapter 4 "Unbalanced Growth: An Espousal," pp. 62-75, and Chapter 5  
 "Investment Choices and Strategies," pp. 76-97.  
 \* 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.  
 (\*) Naughton, Barry. "Understanding the Chinese Stimulus Package." *China Leadership Monitor*,  
 no. 28 (spring 2009). <http://media.hoover.org/documents/CLM28BN.pdf>  
 (\*) 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.  
 Hsu, Robert C. *Economic Theories in China, 1979-1988*. Cambridge, UK: Cambridge University  
 Press, 1991. In particular, Chapter 4, "Strategies of Economic Development," pp. 106-42.  
 LIN, Justin Yifu, CAI Fang, and LI Zhou. *The China Miracle: Development Strategy and  
 Economic Reform*. Revised edition. Hong Kong: The Chinese University Press, 2003,  
 Chapter 4, "The Comparative-advantage-following Strategy," pp. 103-36.  
 Naughton, Barry. "Loans, Firms, and Steel: Is the State Advancing at the Expense of the Private  
 Sector?" *China Leadership Monitor*, no. 30 (Fall 2009).  
 Parris, Kristen. "Local Initiative and National Reform: The Wenzhou Model of Development."  
*The China Quarterly* 134 (June 1993): 242-63.  
 WU Jinglian. "Choosing a Strategy for China's Economic Reform." *Social Sciences in China: a  
 Quarterly Journal* 9, no. 4 (Dec. 1988): 27-41  
 XU Changming. "On an Economic Policy Based on 'Tilted Regions'." *Chinese Economic  
 Studies* 26, no. 5 (Fall 1993): 79-86.  
 Yang Dali. "Patterns of China's Regional Development Strategy." *The China Quarterly* 122  
 (June 1990): 230-257.

BN 4, 5

LBTR 17 (Loren Brandt, Chang-tai Hsieh, and Xiaodong Zhu, "Growth and Structural  
 Transformation in China," pp. 683-728)

### *Week 7*

- 4 Oct. Review session for midterm exam held by TA (or re-scheduled)  
 6 Oct. Midterm exam

11 Oct. Film

7.2.1 Economic development: industry

- \* Brandt, Loren, Thomas G. Rawski, and John Sutton. "China's Industrial Development," Chapter 15 in LBTR, pp. 569-632. Focus on tables and charts; feel free to skip the section "Analytical Framework."
- \* Lee, Hau L., Mitchell M Tseng, and David Hoyt. "Unsafe for Children: Mattel's Toy Recalls and Supply Chain Management." Stanford Graduate School of Business, case study GS-63, 15 Sept. 2008.
- \* Thun, Eric. "Industrial Policy, Chinese-Style: FDI, Regulation, and Dreams of National Champions in the Auto Sector." *Journal of East Asian Studies* 4 (2004): 453-89.
- (\*) Holz, Carsten A. "Long Live China's State-owned Enterprises: Deflating the Myth of Poor Financial Performance." *Journal of Asian Economics* 13, no. 4 (July/August 2002): 493-529.
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  - China Labor News Translations: <http://www.cntranslations.org/>
- BN 8 (and 7 and 9)  
LBTR 7 (Emily Hannum, Jere Behrman, Meiyan Wang, and Jihong Liu, "Education in the Reform Era," pp. 215-49)

### **12. Sociology of China research**

- \* Friedman, Edward. "Studying China Is Dangerous." Keynote address to the American Association for Chinese Studies, 49th Annual Conference, Richmond, Virginia, 6 October 2007.

- \* Holz, Carsten A. "Have China Scholars All Been Bought?" *Far Eastern Economic Review* 170, no. 3 (April 2007), 36-40. At: <http://www.feer.com/articles1/2007/0704/free/p036.html>
- \* Mannheim, Karl. *Ideology and Utopia: An Introduction to the Sociology of Knowledge*. San Diego, New York, and London: Harcourt Brace Jovanovich, 1985. Chapter 5, "The Sociology of Knowledge," pp. 264-311, in particular sections 1-3, pp. 264-309.
- Cheng, Stephen K. K. "Understanding the Culture and Behaviour of East Asians—A Confucian Perspective." *Australian and New Zealand Journal of Psychiatry* 24 (1990): 510-5.
- Mann, James. *The China Fantasy: How Our Leaders Explain Away Chinese Repression*. Viking/Penguin: New York, 2007.

More topics, for which we won't have time --- open to précis  
 Starred readings below are *not* required readings.

### **13. Environment**

- \* Kahn Joseph, and Jim Yardley. "As China Roars, Pollution Reaches Deadly Extremes." *The New York Times*, 26 Aug. 2007. At: [http://www.nytimes.com/2007/08/26/world/asia/26china.html?\\_r=1&pagewanted=print](http://www.nytimes.com/2007/08/26/world/asia/26china.html?_r=1&pagewanted=print)
  - \* Roumasset, James, Kimberly Burnett, and Hua Wang. "Environmental Resources and Economic Growth." Chapter 8 in LBTR, pp. 250-85.
  - \* Tilt, Bryan. "The Political Ecology of Pollution Enforcement in China: a Case from Sichuan's Rural Industrial Sector." *The China Quarterly* 192 (Dec. 2007): 915-32.
  - \* 屏南环保讼案：悲哀的交易。《财经》#141/2005, pp. 116, 118.
  - NDRC climate change program: [http://en.ndrc.gov.cn/policyrelease/t20060207\\_58851.htm](http://en.ndrc.gov.cn/policyrelease/t20060207_58851.htm)
  - NDRC program of action for sustainable development: [http://en.ndrc.gov.cn/newsrelease/t20070205\\_115702.htm](http://en.ndrc.gov.cn/newsrelease/t20070205_115702.htm)
  - Rawski, Thomas G. "Urban Air Quality in China: Historical and Comparative Perspectives." Draft, 25 June 2006, University of Pittsburgh.
  - Chow, Gregory C. "China's Energy and Environmental Problems and Policies." Mimeo, 2007. Princeton University.
- BN 20; GC 10 (second half)
- Water:
- Lee, Seungho. *Water and Development in China: The Political Economy of Shanghai Water Policy*. Singapore: World Scientific Publishing, 2006.
  - MA Jun. *China's Water Crisis*. Norwalk, CT: EastBridge, 2004.
  - MA Jun's Institute of Public and Environmental Affairs: <http://www.ipe.org.cn/index.jsp>
  - Interview: <http://www.chinadialogue.net/article/show/single/en/392-Tackling-China-s-water-crisis-online>

### **14. Corruption**

- \* DING X.L. "The Illicit Asset Stripping of Chinese State Firms." *The China Journal*, no. 43 (Jan. 2000): 1-28.
- \* Maoru, Raolo. "Corruption and Growth." *Quarterly Journal of Economics* 110, no. 3 (Aug. 1995): 681-712.
- \* Wedeman, Andrew. "The Intensification of Corruption in China." *The China Quarterly* 180 (Dec. 2004): 895-921.
- \* 拆解黑龙江卖官链。《财经》#132/2005, pp. 24-39.

- CHENG Wenhao. "An Empirical Study of Corruption within China's State-Owned Enterprises." *The China Review* 4, no. 2 (Fall 2004): 55-80.
- DING X.L. "Systemic Irregularity and Spontaneous Property Transformation in the Chinese Financial System." *The China Quarterly* 163 (Sept. 2000): 655-76.
- LU Xiaobo. *Cadres and Corruption: The Organizational Involution of the Chinese Communist Party*. Palo Alto, CA: Stanford University Press, 2000.
- Rocca, Jean-Louis. "Corruption and Its Shadow: An Anthropological View of Corruption in China." *The China Quarterly* 130 (June 1992): 402-416.
- Smyth, Russell. "Asset Stripping in Chinese State-Owned Enterprises." *Journal of Contemporary Asia* 30, no. 1 (2000): 3-16.
- Wedeman, Andrew. "Corruption in China: Great Disorder under Heaven: Endemic Corruption and Rapid Growth in Contemporary China." *The China Review* 4, no. 2 (Fall 2004): 1-32.
- GC 19

**15. Inequality and poverty** (there's so much literature that any choice is more or less arbitrary)

- \* Dwayne, Benjamin, Loren Brandt, and John Giles. "The Evolution of Income Inequality in Rural China." *Economic Development and Cultural Change* 53, no. 4 (July 2005): 769-824
  - \* Riskin, Carl. "Has China Reached the Top of the Kuznets Curve?," Chapter 2 in Vivienne Shue and Christine Wong (eds.), *Paying for Progress in China: Public Finance, Human Welfare and Changing Patterns of Inequality*. London and New York: Routledge, 2007.
  - \* Ravallion, Martin, and CHEN Shaohua. "China's (Uneven) Progress against Poverty." *Journal of Development Economics* 82, no. 1 (Jan. 2007): 1-42.
  - \* Gustafson, Björn, SHI Li, and Terry Sicular. "Inequality and Public Policy in China: Issues and Trends." Chapter 1 in Björn Gustafson, SHI Li, and Terry Sicular, *Inequality and Public Policy in China*, Cambridge: Cambridge University Press, 2008.
- Tsui, Kai-yuen. "Forces Shaping China's Interprovincial Inequality." *Review of Income & Wealth* 53, no. 1 (March 2007): 60-92.

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LBTR 18 (Dwayne Benjamin, Loren Brandt, John Giles, and Sangui Wang, "Income Inequality during China's Economic Transition," pp. 729-75)

**16. Social security**

- \* Impavido, Gregorio, HU Yu-Wei, and LI Xiaohong. "Governance and Fund Management in the Chinese Pension System." IMF Working Paper WP/09/246 (Nov. 2009), 50pp.
  - \* ZHAO Yaohui, and XU Jianguo. "China's Urban Pension System: Reforms and Problems." *CATO Journal* 21, no. 3 (Winter 2002): 395-414.
- ZHU Ling. "Restructuring the Basic Health Protection System in Rural China." *China & World Economy* 12, no. 1 (Jan.-Feb. 2004): 75-98.

**17. China and India**

- \* Felipe, Jesus, Editha Laviña, and FAN Xiaoqin Emma. "The Diverging Patterns of Profitability, Investment and Growth of China and India During 1980-2003." *World Development* 36, no. 5 (May 2008): 741-74.
- Bottelier, Pieter. "What India Can Learn from China and Vice Versa." *China and World Economy* 15, no. 3 (March 2007): 52-69.
- R Nagaraj. "Industrial Growth in China and India: a Preliminary Comparison." *Economic and Political Weekly* (21 May 2005): 2163-71.

## Additional Readings on China's Economy and Data Sources

The library at Hong Kong University of Science & Technology maintains online resource guides to three courses on China's economy:

<http://library.ust.hk/guides/sosc181.html>

<http://library.ust.hk/guides/econ516.html>

<http://library.ust.hk/guides/econ517.html>

### Data on China

2009 中国统计年鉴 (China Statistical Yearbook [bilingual edition]). 北京: 中国统计出版社 (HA4631.S725).

<http://www.stats.gov.cn/> --- National Bureau of Statistics of China

<http://chinadatacenter.org/newcdc/> --- Michigan data center

### News articles, laws and regulations, statistics, and more

China Infobank (online database, in Chinese; enter via databases if available)

### Other, general sources of information on China

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>

*OECD Economic Surveys: China*. Paris: OECD, 2010. (And much more by the OECD)

The Economist Intelligence Unit (search "EIU Country Intelligence" as word/phrase in library catalog; explore, for example, the country report on China)

U.S. Commercial Service, China (with, among others, some industry information)

<http://www.buyusa.gov/china/en/>

China Leadership Monitor: <http://www.hoover.org/publications/clm/>

100 China Website Links: "100 Essential Resources for Doing Business in China"

<http://www.bschool.com/blog/2008/100-essential-resources-for-doing-business-in-china/>

Fravel, M. Taylor. "Online and on China: Research Sources in the Information Age." *The China Quarterly* 163 (Sept. 2000): 821-42. (Journal article introducing and discussing websites.)

U.S.-China Institute website at <http://china.usc.edu>

YANG Dali maintains a website with lots of links: <http://www.daliyang.com/index.html>

### General/ background readings beyond what's listed above as optional textbooks

Donald, Stephanie Hemelryk, and Robert Benewick. *The State of China Atlas: Mapping the World's Fastest Growing Economy*. Berkeley: University of California Press, 2005.

Lieberthal, Kenneth. *Governing China: From Revolution Through Reform*. New York: Norton, 1995. (This book focuses on politics.)

LIN, Justin Yifu, CAI Fang, and LI Zhou. *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.

Riskin, Carl. *China's Political Economy: The Quest for Development Since 1949*. Oxford: Oxford University Press, 1991. (Economic history)

Walder, Andrew G. (ed.). *China's Transitional Economy*. Oxford: Oxford University Press, 1996.

A few books of more specialized interest (only those not mentioned anywhere above)

- Bergsten, C. Fred, Bates Gill, Nicholas R. Lardy, and Derek Mitchell. *China: The Balance Sheet—What the World Needs to Know Now about the Emerging Superpower*. New York: Public Affairs, 2006.
- Guthrie, Doug. *China and Globalization: The Social, Economic and Political Transformation of Chinese Society*. New York: Routledge, 2006.
- HUANG Yasheng. *Selling China: Foreign Direct Investment During the Reform Era*. Cambridge Modern China Series. Cambridge; New York and Melbourne: Cambridge University Press, 2003
- Lardy, Nicholas R. *Integrating China Into the Global Economy*. Washington, D.C.: Brookings Institution Press, 2002.
- Lin, Yi-min. *Between Politics and Markets: Firms, Competition, and Institutional Change in Post-Mao China*. Cambridge, UK: Cambridge University Press, 2001.
- Ngai, Pun. *Made in China: Women Factory Workers in a Global Workplace*. Durham and London: Duke University Press, and Hong Kong: Hong Kong University Press, 2005.
- PEI Minxin. *China's Trapped Transition: The Limits of Developmental Autocracy*. Cambridge, Mass.: Harvard University Press, 2006. (Transition deficits; chapter on democratization)
- Shirk, Susan L. *China: Fragile Superpower*. Oxford and New York: Oxford University Press, 2007.
- Twitchett, Denis, and John K. Fairbank (eds.), *The Cambridge History of China*. Cambridge: Cambridge University Press, several volumes. (History, and more history, and yet more.)
- 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.)
- Zweig, David. *Internationalizing China: Domestic Interests and Global Linkages*. Ithaca and London: Cornell University Press, 2002.

Lynn White's China bibliography: list of books on China, by topic:

<http://www.princeton.edu/~lynn/chinabib.pdf>