

January 31, 2023

Spring 2023, School of Public and International Affairs, Princeton University
594x Economic Growth and Reform in China
Tue/Thu 9-10:30am (Half-Term), Robertson 014

Instructor: Carsten A. Holz

Office hour: Monday 4:15-5:15pm, JRR (Julis Romo Rabinowitz) A80

Contact: cholz@princeton.edu

Course description

This course examines the drivers of the PRC's past economic growth, the current growth dilemmas, and the future growth prospects. Economic growth is considered within the context of the PRC's economic and social reforms. Coverage also includes the PRC's industrial policies, the dynamics of productivity change, the risk of financial crisis and its impact on growth, the interdependence of the PRC and world economies at a time of nationalist policies and trade wars, and the significance of economic growth in an ongoing system competition.

Grading

Presentations 40% (2 x 20%)

Term paper 60%

Presentations: Approx. 500-word interpretative précis on a topic, shared on Canvas 24 hours before the class meets; present in class for 15-20 minutes. Graded pass/fail. Weeks 2-6. Present twice during the course. Also see details at end of syllabus.

Term paper: Student's choice of topic (can be related to the student's presentation(s)); discuss with instructor around Weeks 3-4. 2,000-4,000 words. Submit on Canvas by noon on Monday, March 20, 2023. See details at end of syllabus.

Adjustments to these arrangements are possible if students have different preferences.

Readings

Expect to read on the order of two academic papers or book chapters per class, plus two one-page précis. Some readings contain math or econometrics, others don't; mastery of math or econometrics are not a prerequisite for this course. Précis/presentation: Choose topic and literature in 2nd class of Week 1.

Canvas

We'll use Canvas for sharing précis (in 'Discussions') and to keep track of what happens each class (in 'Pages'). Readings are available in 'Reserves' within Canvas.

Reading List — *If the reading list looks long: It means choices.*

* Default required readings for everyone (and student interests will help shape the final choice or required readings). Typically two papers per class; currently not all pre-selected. There may be overlap with a paper included in the précis / presentation of that class.

Optional, easy background texts on the PRC's economy:

Naughton, Barry. *The Chinese Economy: Adaptation and Growth*. Second edition. Cambridge, Mass.: The MIT Press, 2018 (not 2007). [Abbreviated below as BN]

Kroeber, Arthur R. *China's Economy: What Everyone Needs to Know*. New York: Oxford University Press, 2020 (not 2016). [Abbreviated below as AK]

Both books are available as eBooks in the PU library system and some of their chapters are referenced below.

Additional, general readings are listed towards the end of the syllabus.

Readings tend to be grouped into two or three texts that go well together. If they include a book, choose one chapter that interests you most. If a group contains more than two paper-length texts, choose two that interest you most. It's also OK to mix and match across groups within a topic.

Week 1 -- Instructor

Tuesday, 31 January 2023 — Introduction, Motivation, Syllabus

No required readings before first class meets

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.

Holz, Carsten A. "China's Investment Rate: Characteristics and Implications." Mimeo, 22 April 2019. At <https://carstenholz.people.usst.hk/CarstenHolz-ChinaInvestmentRate-22Apr2019.pdf>

ZHU Xiaodong. "Understanding China's Growth: Past, Present, and Future." *Journal of Economic Perspectives* 26, no. 4 (Fall 2012): 103-24.

Felipe, Jesus, Utsav Kumar, Norio Usui, and Arnelyn Abdon. "Why Has China Succeeded? And Why It Will Continue to Do So." *Cambridge Journal of Economics* 37, no. 4 (July 2013): 791-818.

AK 1 "Why China Matters"

Thursday, 2 February 2023 — 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.)

- * Hofman, Bert. "Reflections on 40 Years of China's Reforms." Chapter 3 in Ross Garnaut, Ligang Song, and Cai Fang (eds.), *China's 40 Years of Reform and Development 1978-2018*, Acton ACT, Australia: Australian National University Press, 2018, pp. 53-66. Free online at <https://press.anu.edu.au/publications/series/china-update/china%E2%80%99s-40-years-reform-and-development-1978%E2%80%932018>

Weeks 2-6: Primarily student presentations and discussion

Week 2

Tuesday, 7 February 2023 — Why Did China Not Industrialize Earlier?

The big question

- * Elvin, Mark. *The Patterns of the Chinese Past*. Stanford, CA: Stanford University Press, 1973, Chapter 17, "Quantitative Growth, Qualitative Standstill," pp. 285-316.
- LIN, Justin Yifu. "The Needham Puzzle: Why the Industrial Revolution Did Not Originate in China." *Economic Development and Cultural Change* 43, no. 2 (January 1995): 270-92.
- Landes, David S. "Why Europe and the West? Why Not China?" *Journal of Economic Perspectives* 20, no. 2 (Spring 2006): 3-22.

Broad historical overview

- Brandt, Loren, and Thomas G. Rawski. "China's Great Boom as a Historical Process." Chapter 21 in Debin Ma and Richard von Glahn (eds.), *The Cambridge Economic History of China*, Volume II, Cambridge, Mass: Cambridge University Press, 2022, pp. 775-828.
- Brandt, Loren, Debin Ma, and Thomas G. Rawski. "From Divergence to Convergence: Reevaluating the History behind China's Economic Boom." *Journal of Economic Literature* 52, no. 1 (March 2014): 45-123.

A classic

- Pomeranz, Kenneth. *The Great Divergence: China, Europe, and the Making of the Modern World Economy*. Princeton: Princeton University Press, 2021 [2000]. [In particular pp 1-27 "Introduction" and pp. 210-97 Ch. 5 "Shared Constraints: Ecological Strain in Western Europe and East Asia" and Ch. 6 "Abolishing the Land Constraint: The Americas As a New Kind of Periphery."]

BN 3 "The Chinese Economy before 1949"

Thursday, 9 February 2023 — The Mao Period 1949-1976/78

- * Naughton, Barry. "The Pattern and Legacy of Economic Growth in the Mao Era." In J. Kallgren, K. Lieberthal, R. MacFarquhar and F. Wakeman, eds., *Perspectives on Modern China: Four Anniversaries*, 1991.
- Naughton, Barry. "The Third Front: Defense Industrialization in the Chinese Interior." *The China Quarterly* 115 (September 1988): pp. 351-86.

A smorgasbord to capture many aspects of the Mao period

1949-1978: Ishikawa, Shigeru. "China's Economic Growth Since 1949—An Assessment." *The China Quarterly* 94 (June 1983): 242-81.

Deng, Kent, and Jim H. Shen. "From State Resource Allocation to a 'Low Level Equilibrium Era': Re-evaluation of Economic Performance of Mao's China, 1949-78." *Economic History Working Papers 2019* (298), The London School of Economics and Political Science. At http://eprints.lse.ac.uk/101127/1/Deng_from_state_resource_allocation_published.pdf

Bramall, Chris. "Living Standards in Maoist China." Chapter 17 in Debin Ma and Richard von Glahn (eds.), *The Cambridge Economic History of China*, Volume II, Cambridge, Mass: Cambridge University Press, 2022, pp. 606-41.

Dikötter, Frank. *Mao's Great Famine: The History of China's Most Devastating Catastrophe 1958-1962*.

BN 4 "The Socialist Era, 1949-1978: Big Push Industrialization and Policy Instability"

Week 3

Tuesday, 14 February 2023 — How Reliable Are Measures of the PRC's Economic Growth?

(*) Holz, Carsten A. "The Quality of China's GDP Statistics." *China Economic Review* 30 (September 2014): 309-38.

Set 1

CHEN Wei, Xilu Chen, Chang-Tai Hsieh, Zheng Song. "A Forensic Examination of China's National Accounts." *NBER Working Paper Series*, working paper 25754, December 2019. At <http://www.nber.org/papers/w25754>

Martinez, Luis R. "How Much Should We Trust the Dictator's GDP Growth Estimates?" *Journal of Political Economy* 130, no. 10 (October 2022): 2731-69.

Also summarized in *The Economist* on 29 September 2022 as "A study of Lights at Night Suggests Dictators Lie about Economic Growth: Satellite Data Hints at the Scale of Their Deception." At <https://www.economist.com/graphic-detail/2022/09/29/a-study-of-lights-at-night-suggests-dictators-lie-about-economic-growth>

Wallace, Jeremy L. "Juking the Stats? Authoritarian Information Problems in China." *British Journal of Political Science* 46, no. 1 (January 2016): 11-29.

Set 2 (slightly more specialized)

Kerola, Eeva. "In Search of Fluctuations: Another Look at China's Incredible Stable GDP Growth Rates." *Comparative Economic Studies* 61 (2019): 359-80.

Kerola, Eeva, and Benoit Mojon. "What 31 Provinces Reveal about Growth in China." BOFIT Discussion Papers, no. 1/2021 (1 February and 18 November 2021), 37pp. At <https://publications.bof.fi/handle/10024/48661>

Clark, Hunter, Maxim Pinkovskiy, and Xavier Sala-i-Martin. "China's GDP Growth May Be Understated." NBER Working Paper Series, no. 23323, April 2017. At <http://www.nber.org/papers/w23323>.

Thursday, 16 February 2023 — Early Reform Period: The Economic Effects of Transition

- * Hayek, Friedrich A. "The Use of Knowledge in Society." *American Economic Review* 35, no. 4 (Sept. 1945): 519-30.
- * Kornai, Janos. "Resource-Constrained versus Demand-Constrained Systems." *Econometrica* 47, no. 4 (July 1979): 801-19.

A classic and a brief evaluation

- Perkins, Dwight H. "Reforming China's Economic System," *Journal of Economic Literature* 26, no. 2 (June 1988): 601-45.
- Borensztein, Eduardo, and Jonathan D. Ostry. "Accounting for China's Growth Performance." *American Economic Review* 85, no. 2, Papers and Proceedings of the Hundredth and Eighth Annual Meeting of the American Economic Association San Francisco, CA, January 5-7, 1996 (May, 1996): 224-228.

Two more classics

- QIAN Yingyi and XU Chengang. "Why China's Economic Reforms Differ: the M-form Hierarchy and Entry/Expansion of the Non-state Sector." *Economics of Transition* 1, no. 2 (1993): 135 – 170.
- Putterman, Louis. "Dualism and Reform in China." *Economic Development and Cultural Change* 40, no. 3 (April 1992): 467-93.

How to select data and methods to obtain a (wrong but striking) result that will get published in a top economics journal

- Young, Alwyn. "The Razor's Edge: Distortions and Incremental Reform in the People's Republic of China", *Quarterly Journal of Economics*, 2000, pp. 1091-1135.
- Holz, Carsten A. "No Razor's Edge: Reexamining Alwyn Young's Evidence for Increasing Inter-Provincial Trade Barriers in China." *The Review of Economics and Statistics* 91, no. 3 (August 2009): 599-616.

Agriculture

- HUANG Jikun, and Scot Rozelle. "China's 40 Years of Agricultural Development and Reform." Chapter 22 in Ross Garnaut, Ligang Song, and Cai Fang (eds.), *China's 40 Years of Reform and Development 1978-2018*, Acton ACT, Australia: Australian National University Press, 2018, pp. 487-506. Free online at <https://press.anu.edu.au/publications/series/china-update/china%E2%80%99s-40-years-reform-and-development-1978%E2%80%932018>
- LIN, Justin Yifu. "Rural Reforms and Agricultural Growth in China." *American Economic Review* 82, no. 1 (March 1992): 34-51.
- Lingohr, Susanne. "Rural Households, Dragon Heads and Associations: a Case Study of Sweet Potato Processing in Sichuan Province." *The China Quarterly* 192 (Dec. 2007): 898-914.

Township and Village Enterprises

- JIN Hehui, and QIAN Yingyi. "Public versus Private Ownership of Firms: Evidence from Rural China." *Quarterly Journal of Economics* 113, no. 3 (August 1998): 773-808.
- CHE Jiahua, and QIAN Yingyi. "Institutional Environment, Community Government, and Corporate Governance: Understanding China's Township-Village Enterprises." *Journal of Law, Economics and Organization* 14, no. 1 (April 1998): 1-23.

CHANG Chun and WANG Yijiang. "The Nature of the Township-village Enterprise." *Journal of Comparative Economics* 19, no. 3 (1994): 434-52.

Kung, James Kai-sing, and Yi-min Lin. "The Decline of Township-and-village Enterprises in China's Economic Transition." *World Development* 35, no. 4 (April 2007): 569-584.

BN 5 "Market Transition: Strategy and Process"

AK 4 "Agriculture, Land, and the Rural Economy"

Week 4

Tuesday, 21 February 2023 — Development / Growth Strategies (post-Transition)

* 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.
or with economics graphs: LIN, Justin Yifu. "Development Strategy, Viability, and Economic Convergence." *Economic Development and Cultural Change* 51, no. 2 (Jan. 2003): 277-308, in particular pp. 277-94.

Snapshots

Parris, Kristen. "Local Initiative and National Reform: The Wenzhou Model of Development." *The China Quarterly* 134 (June 1993): 242-263.

Sutherland, Dylan, and NING Lutao. "The Emergence and Evolution of Chinese Business Groups: Are Pyramidal Groups Forming?" Chapter 5 in Barry Naughton and Kellee S. Tsai (eds.), *State Capitalism, Institutional Adaptation, and the Chinese Miracle (Comparative Perspectives in Business History)*, Cambridge: Cambridge University Press, 2015.

The 2008-2012 Turnabout (important)

* Naughton, Barry. "Grand Steerage." Chapter 2 in Thomas Fingar and Jean C. Oi (eds.), *Fateful Decisions: Choices That Will Shape China's Future*. Stanford: Stanford University Press, 2020, pp. 51-81.

Lin, Justin Yifu. "China's Growth Deceleration: Causes and Future Growth Prospect." *Frontiers of Economics in China* 14, no. 1 (2019): 26-52.

Performance

Brandt, Loren, Johannes Van Biesebroeck, and ZHANG Yifan. "Creative Accounting Or Creative Destruction? Firm-level Productivity Growth in Chinese Manufacturing." *Journal of Development Economics* 97, no. 2 (March 2012): 339-51.

Song, Zheng, Kjetil Storesletten, and Fabrizio Zilibotti. "Growing Like China." *American Economic Review* 101, no. 1 (Feb. 2011): 196-233.

One specific development strategy (rather abstract, a bit of an aside)

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. Skip section with interest rate calculations in Chapter 5.

Holz, Carsten A. “The Unbalanced Growth Hypothesis and the Role of the State: the Case of China's State-owned Enterprises.” *Journal of Development Economics* 96, no. 2 (Nov. 2011): 220-38.

AK 14 “Changing the Growth Model”

Thursday, 23 February 2023 — Industrial Policy

(*) Holz, Carsten A. “PRC Industrial Policies Postdate Rather than Lead Economic Activity.” 22 June 2020. Chapter 8 in Erik Baark, Bert Hofman and Jiwei Qian (eds.), *Innovation and China's Global Emergence*, Singapore: NUS Press, 2021.

Lots of details

Naughton, Barry. *The Rise of China's Industrial Policy 1978 to 2020*. Mexico City: UNAM Faculty of Economics [distributed by Lynne Rienner Publishers], 2021 (148 pp.). At https://dusselpeters.com/CECHIMEX/Naughton2021_Industrial_Policy_in_China_CECHIMEX.pdf [Focus on the industrial policy parts of the book.]

DiPippo, Gerard, Ilaria Mazzocco, and Scott Kennedy. “Red Ink: Estimating Chinese Industrial Policy Spending in Comparative Perspective.” Center for Strategic International Studies, May 2022. At <https://www.csis.org/analysis/red-ink-estimating-chinese-industrial-policy-spending-comparative-perspective>.

A second set of details

Fuller, Douglas. *Paper Tigers, Hidden Dragons: Firms and the Political Economy of China's Technological Development*. Oxford: Oxford University Press, 2016.

Luong, Ngor, Zachary Arnold, and Ben Murphy. “Understanding Chinese Government Guidance Funds: An Analysis of Chinese-Language Sources.” Center for Security and Emerging Technology, CSET Issue Brief, March 2021. At <https://cset.georgetown.edu/wp-content/uploads/CSET-Understanding-Chinese-Government-Guidance-Funds.pdf>

BN 15 “Technology and Industrial Policy”

Labor (labor-upgrading developments/policy)

Gregory, Bob, and Xin Meng. “Rural-to-urban Migration and Migrants’ Labour Market Performance, 2008-16.” Chapter 12 in Ross Garnaut, Ligang Song, and Cai Fang (eds.), *China's 40 Years of Reform and Development 1978-2018*, Acton ACT, Australia: Australian National University Press, 2018, pp. 395-426. Free online at <https://press.anu.edu.au/publications/series/china-update/china%E2%80%99s-40-years-reform-and-development-1978%E2%80%932018>

LI Hongbin, James Liang, Scott Rozelle, and WU Binzhen. “Human Capital and China’s Future.” Chapter 8 in Thomas Fingar and Jean C. Oi (eds.), *Fateful Decisions: Choices That Will Shape China's Future*. Stanford: Stanford University Press, 2020, pp. 200-21.

LI Hongbin, Lei LI, Binzhen WU, and Yanyan XIONG. “The End of Cheap Chinese Labor.” *The Journal of Economic Perspectives* 26, no. 4 (Fall 2012): 57-74.

BN 8 “Population: Demographic Transition, the Demographic Dividend, and the One-Child Policy”

BN 9 “Labor and Human Capital”

AK 11 “Demographics and the Labor Market”

Week 5

Tuesday, 29 February 2023, and carrying over into Thursday, 2 March 2023 — Trade and FDI

A first set that includes early literature

Chen, Chung, Lawrence Chang, and ZHANG Yimin. “The Role of Foreign Direct Investment in China’s Post-1978 Economic Development.” *World Development* 23, no. 4 (April 1995): 691-703.

Brandt, L., Van Biesebroeck, J., Wang, L., Zhang, Y. (2017). “WTO accession and Performance of Chinese Manufacturing Firms.” *American Economic Review* 107, no. 9 (2017): 2784-820.

Fischer, William A. “China and Opportunities for Economic Development through Technology Transfer,” Chapter 9 in Tamir Agmon and Mary-Ann Von Glinow, eds., *Technology Transfer in International Business*. Oxford: Oxford University Press, 1991, pp. 159-75.

More recent literature that tends towards the descriptive side

LI Kunwang, and JIANG Wei. “China’s Foreign Trade: Reform, Performance and Contribution to Economic Growth.” Chapter 28 in Ross Garnaut, Ligang Song, and Cai Fang (eds.), *China’s 40 Years of Reform and Development 1978-2018*, Acton ACT, Australia: Australian National University Press, 2018, pp. 575-93 (focus on pp. 575-587). Free online at <https://press.anu.edu.au/publications/series/china-update/china%E2%80%99s-40-years-reform-and-development-1978%E2%80%932018>

WANG Bijun, and GAO Kailin. “Outward Direct Investment: Restricted, Relaxed and Regulated Stages of Development.” Chapter 30 in Ross Garnaut, Ligang Song, and Cai Fang (eds.), *China’s 40 Years of Reform and Development 1978-2018*, Acton ACT, Australia: Australian National University Press, 2018, pp. 619-636. Free online; see item above.

More of a political economy twist

Economy, Elizabeth. “Xi Jinping’s New World Order: Can China Remake the International System?” *Foreign Affairs* 101, no. 1 (January/February 2022). At <https://omnilogos.com/xi-jinping-new-world-order-can-china-remake-international-system/>.

Brown, Alexander, Jacob Gunter, Max J. Zenglein. “Course Correction: China’s Shifting Approach to Economic Globalization.” *MERICs China Monitor*, 19 October 2021, 19pp. At <https://merics.org/en/report/course-correction-chinas-shifting-approach-economic-globalization>.

Lohse-Friedrich, Kerstin. “China’s Public Diplomacy: International Companies Face Increasing Reputational Risks.” *MERICs China Monitor*, June 2019, 14pp. At <https://merics.org/en/report/chinas-public-diplomacy>.

Hanemann, Thilo, Mark Witzke, Charlie Vest, Lauren Dudley, and Ryan Featherston. “An Outbound Investment Screening Regime for the United States?” *Rhodium Group*, A Report by the US-China Investment Project, January 2022. At https://rhg.com/wp-content/uploads/2022/01/RHG_TWS_2022_US-Outbound-Investment.pdf.

A mix of business-oriented articles

ZENG Ming, and Peter J. Williamson. "The Hidden Dragons." *Harvard Business Review* 81, no. 10 (October 2003): 92-99. Updated as "The Global Impact of China's Emerging Multinationals," Chapter 5 in Christopher A. McNally (ed.), *China's Emergent Political Economy: Capitalism in the Dragon's Lair*. New York: Routledge, 2008, pp. 83-101.

Sebastian, Gregor. "In the Driver's Seat: China's Electric Vehicle Makers Target Europe: Key Developments and Challenges to European Governments and Companies." *MERICS China Monitor*, 1 September 2021. At <https://merics.org/en/report/drivers-seat-chinas-electric-vehicle-makers-target-europe>.

LIU Xin. "Chinese Multinational Enterprises Operating in Western Economies: Huawei in the US and the UK." *Journal of Contemporary China* 30, no. 129 (2021): 368-85.

BRI and more

Sjöholm, Fredrik. "The Belt and Road Initiative: Economic Causes and Effects." *Research Institute of Industrial Economics*, Stockholm, IFN Working Paper no. 1439, 2022. At <https://www.ifn.se/media/ijudb5n0/wp1439.pdf>

WANG Zhi, WEI Shang-jin, YU Xinding, and ZHU Kunfu. "Re-examining the Effects of Trading with China on Local Labor Markets: A Supply Chain Perspective." *NBER Working Paper Series*, working paper no. 24886, October 2018. At <http://www.nber.org/papers/w24886>

History of foreign involvement in the PRC's economic development

Kung, James Kai-Sing. "The Economic Impact of the West: A Reappraisal." Chapter 11 in Debin Ma and Richard von Glahn (eds.), *The Cambridge Economic History of China*, Volume II, Cambridge, Mass: Cambridge University Press, 2022, pp. 354-413.

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.

Brown, Shannon. "The Ewo Filature: A Study in the Transfer of Technology to China in the 19th Century," *Technology and Culture* 20, no. 3 (July 1979): 550-68.

Julian Gerwitz. *Unlikely Partners: Chinese Reformers, Western Economists, and the Making of Global China*. Cambridge, Massachusetts: Harvard University Press, 2017.

Aside: Argument that contrary to traditional trade theory, one country (the U.S.) may lose in the process of globalization

Samuelson, Paul A. "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization." *Journal of Economic Perspectives* 18, no. 3 (Summer 2004): 135-46.

BN 16 "International Trade"

BN 17 "Foreign Investment and the Capital Account"

AK 15 "China and the World: Is Conflict Inevitable?"

Thursday, 2 March 2023 — The Role of Government: GDP Growth and Promotion

LI Hongbin and ZHOU Li-An. "Political Turnover and Economic Performance: the Incentive Role of Personnel Control in China." *Journal of Public Economics* 89, no. 9-10 (September 2005): 1743-62.

CHEN Ting, and James Kai-Sing Kung. "Busting the "Princelings": The Campaign Against Corruption in China's Primary Land Market." *Quarterly Journal of Economics* 134, no. 1 (2019): 185-226.

Include critique from: <https://michaelwiebe.com/blog/2021/02/replications>

AK 3 "China's Political Economy"

Week 6

Tuesday, 7 March 2023 — Impediments to Growth / Growth Bubble?

* Sen, Amartya. *Development as Freedom*. New York: Anchor Books, 1999. "Introduction," pp. 3-11, and Chapter 2 "The Ends and the Means of Development," pp. 35-53.

Set 1

MA Guonan. "China's High and Rising Corporate Debt: Examining Drivers and Risks." *MERICs China Monitor Perspectives*, 22 August 2019, 11pp. At

<https://merics.org/en/report/chinas-high-and-rising-corporate-debt>.

Wright, Logan. "Rethinking China's Economic Future." Rhodium Group, 31 May 2022. At <https://rhg.com/research/rethinking-chinas-economic-future/>.

Shih, Victor. "Financial Instability in China: Possible Pathways and Their Likelihood." *MERICs China Monitor*, 20 Oct. 2017.

Set 2

Horn, Sebastian, Carmen M. Reinhart, and Christoph Trebesch. "Hidden Defaults." Kiel Working Paper No. 2208 (2022). At <https://openknowledge.worldbank.org/handle/10986/36965>.

Peresa, Irena, and Edouard Vidon. "Bad Banks' with Chinese Characteristics: an Ongoing Transformation." *Journal of Contemporary China* 31, no. 133 (2022): 136-52.

Economics articles

Piketty, Thomas, YANG Li and Gabriel Zucman (2019). "Capital Accumulation, Private Property and Rising Inequality in China." *American Economic Review* 109, no. 7 (July 2019): 2469-96.

CHEN, Kaiji and WEN Yi. "The Great Housing Boom of China." *American Economic Journal: Macroeconomics* 9, no. 2 (April 2017): 73-114.

Is the state being financially hollowed out – a bit of an aside

Holz, Carsten A. "Economic Reforms and State Sector Bankruptcy in China." *The China Quarterly*, no. 166 (June 2001): 342-67.

Walter, Carl E. *The Red Dream: The Chinese Communist Party and the Financial Deterioration of China*. Hoboken, NJ: Wiley, 2022.

Unequal economic development/growth

Naughton, Barry. "The Western Development Program." Chapter 8 in Barry J. Naughton and Dali L. Yang (eds.). *Holding China Together: Diversity and National Integration in the Post-Deng Era*. Cambridge, UK: Cambridge University Press, 2004, pp. 253-95.

Holz, Carsten A. "The Process of Economic Development in West Sichuan: the Case of Daocheng County." 23 December 2022. Forthcoming in *The China Quarterly*, at <https://carstenholz.people.ust.hk/CarstenHolz-DaochengDevelopment-CQ-Article-23Dec2022.pdf> or a slightly longer version (with much more documentation, in footnotes) at <https://carstenholz.people.ust.hk/CarstenHolz-DaochengDevelopment-CompleteVersion-23Dec2022.pdf>.

Thursday, 9 March 2023 — The China Threat -- System Competition -- Ideology

Ideology and the economy

Kornai, Janos. "Frankenstein's Moral Responsibility." *Acta Oeconomica* 69, no. 4 (2019): 485-94. Also: "Economists Share Blame for China's 'Monstrous' Turn," *Financial Times*, 10 July 2019.

MA Debin. "Ideology and the Contours of Economic Change." Chapter 1 in Debin Ma and Richard von Glahn (eds.), *The Cambridge Economic History of China*, Volume II, Cambridge, Mass: Cambridge University Press, 2022, pp. 15-47.

Ghiselli, Andrea. "Revising China's Strategic Culture: Contemporary Cherry-Picking of Ancient Strategic Thought." *The China Quarterly* 233 (March 2018): 166-85.

Ideology and (more) politics (than economics)

Drinhausen, Katja, and Helena Legarda. "'Comprehensive National Security' Unleashed: How Xi's Approach Shapes China's Policies at Home and Abroad." *MERICs China Monitor*, 15 September 2022. At <https://merics.org/en/report/comprehensive-national-security-unleashed-how-xis-approach-shapes-chinas-policies-home-and>

Tatlow, Didi Kirsten. "China's Cosmological Communism: A Challenge to Liberal Democracies. Imperial Philosophy Meets Marxist Orthodoxy in Beijing's Global Ambitions." *MERICs China Monitor*, 18 July 2018, 10pp. At <https://merics.org/en/report/chinas-cosmological-communism-challenge-liberal-democracies>.

Shi-Kupfer, Kristin, Mareike Ohlberg, Simon Lang, and Bertram Lang. "Ideas and Ideologies Competing for China's Political Future: How Online Pluralism Challenges Official Orthodoxy." *MERICs Papers on China*, No. 5, October 2017, 94pp. At <https://merics.org/en/report/ideas-and-ideologies-competing-chinas-political-future>.

Hamilton, Clive, and Mareike Ohlberg. *Hidden Hand: How the Chinese Communist Party Is Reshaping the World*. Oneworld Publications, 2021.

AK 15 "China and the World: Is Conflict Inevitable?"

Background / Overview Readings

A 2008 compendium on specific PRC economics topics written by China researchers in the particular fields: Brandt, Loren, and Thomas G. Rawski (eds.). *China's Great Economic Transformation*. Cambridge University Press, 2008.

A wide variety of overview chapters (of varying quality) are found in:

Garnaut, Ross, SONG Ligang, and CAI Fang. *China's 40 Years of Reform and Development 1978-2018*. Acton, ACT: Australian National University Press, 2018. Free online at <https://press.anu.edu.au/publications/series/china-update/china%E2%80%99s-40-years-reform-and-development-1978%E2%80%932018>

Two concise, research-focused and complementary economics overviews are:

Brandt, Loren, Debin Ma, and Thomas G. Rawski. "From Divergence to Convergence: Reevaluating the History Behind China's Economic Boom." *Journal of Economic Literature* 52, no. 1 (March 2014): 45-123.

XU Chenggang. "The Fundamental Institutions of China's Reforms and Development." *Journal of Economic Literature* 49, no. 4 (Dec. 2011): 1076-1151.

Chinese history

Mühlhahn, Klaus. "Making China Modern: From the Great Qing to Xi Jinping." Cambridge, Massachusetts: The Belknap Press of Harvard University Press, 2019. [Covers the years 1600-2010s. The PU library system has an electronic version.]

Spence, Jonathan D. *The Search for Modern China*. Third edition, 2012. W.W. Norton & Company. [Covers the years 1600-2010.]

Fairbank, John King, and Merle Goldman. *China: A New History*. Cambridge, Mass.: Harvard University Press, 2006. [From Paleolithic China through 2010.]

And solely on the Chinese economy:

Riskin, Carl. *China's Political Economy: The Quest for Development Since 1949*. Oxford: Oxford University Press, 1991. [Covers 1949 through mid-1980s.]

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.

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 in the reform period, from the point of view of a foreign journalist.

Orwell, George. *Animal Farm*. San Diego: Harcourt Brace Jovanovich, [1990?] 1974. Brutally simple depiction of Communist revolution and dictatorship. Short and relevant for the PRC.

Rand, Ayn. *Atlas Shrugged*. New York: Dutton, 1992, or any other edition. Fictional account of the U.S. turning Communist; heavy market economics re-packaged. Perhaps best viewed as an extreme abstraction, which thereby highlights the core features of the PRC system.

Two books that are predominantly positive about Mao Zedong's rule.

Hinton, William. *Fanshen: A Documentary of Revolution in a Chinese Village*. Berkeley: University of California Press, 1997 (and other years). Available online 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).

Five recent popular books about the PRC economy and society

Walter, Carl E. *The Red Dream: The Chinese Communist Party and the Financial Deterioration of China*. Hoboken, NJ: Wiley, 2022.

ZHU, Tian. *Catching Up to America: The Misunderstood Economic Rise of China*. Cambridge: Cambridge University Press, 2021.

Strittmatter, Kai. *We Have Been Harmonized: Life in China's Surveillance State*. Harper Collins / Custom House, 2020.

Hamilton, Clive, and Mareike Ohlberg. *Hidden Hand: How the Chinese Communist Party Is Reshaping the World*. Oneworld Publications, 2021.

Shum, Desmond. *Red Roulette: An Insider's Story of Wealth, Power, Corruption, and Vengeance in Today's China*. Scribner, 2021.

Films

“Morning Sun.” Carma Hinton. – Documentary on the “Cultural Revolution.” 117min

“The Gate of Heavenly Peace.” Carma Hinton. – Documentary on the 1989 massacre. 189min

“China: A Century of Revolution: The Mao Years 1949-1976.” – Documentary produced at a time when the full extent of deaths/murders in the various phases during the period covered was not yet known. 114min. Available at <https://www.youtube.com/watch?v=fsh2FHq0tUA>

Data Sources and Additional Readings on China's Economy

PRC data

[Annual] China Statistical Yearbook [year] (中国统计年鉴. 北京: 中国统计出版社.)

(HA4631.C47). Bilingual. Also available online at the National Bureau of Statistics website.

Example: China Statistical Yearbook 2022 is published around October 2022 and contains data through 2021. It will be available online with an approximately one-year delay.

National Bureau of Statistics (NBS) of China: <http://www.stats.gov.cn> Has current (up-to-date) and historical data (and also the China Statistical Yearbook series, separately). Offers Chinese and English language choices.

CEIC China Premium Database [at HKUST subsumed under CDMNext]. Draws on up-to-date data from the NBS.

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

Data journals: China Monthly Statistics (National Bureau of Statistics), People's Bank of China Quarterly Statistical Bulletin

News articles, laws and regulations, statistics, and more

China Infobank (online database, in Chinese): 中國資訊行

Other, general sources of information on China

An increasing number of websites report regularly on China. Apart from the usual news outlets (such as the BBC or the Financial Times), the following provide somewhat specialized news and news analysis:

MERICs (<http://merics.org>). A wide variety of publications, from biweekly (for-fee) news updates to (free) in-depth reports.

China Leadership Monitor (analysis by typically academics, published three times a year, each issue with about four to five articles)

Since 2018: <https://www.prclleader.org/>

Until 2018: <https://www.hoover.org/publications/china-leadership-monitor>

ChinaFile <https://www.chinafile.com/>

The Wire China <https://www.thewirechina.com/>

China Media Project <https://chinamediaproject.org/> (based at the University of Hong Kong's Journalism and Media Studies Centre)

For fee:

Sinocism: <https://sinocism.com/> (near-daily summaries and commentary on daily events related to China, by Bill Bishop)

Rhodium Group: <https://rhg.com/research-topic/china/> (mostly but not all for-fee); strong on FDI flows and on current economic topics; also has regular reports such as 'Dashboard' or 'Pathfinder'

China Macro Group: <https://www.chinamacro.ch/>

Weekly updates typically focused on current political and political-economic matters:

About half a dozen weekly China news updates/links compiled by the Hoover Institution, Stanford University: <https://www.hoover.org/publications/china-global-sharp-power-weekly-alert>

Politico China Watcher "What's next in U.S.-China relations" (weekly newsletter):

<https://www.politico.com/newsletters/politico-china-watcher>

European Union Chamber of Commerce in China. Numerous publications, including an annual summary publication, publications on special topics, and publications evaluating the business climate in the PRC for European firms:

<https://www.eurochamber.com.cn/en/european-chamber-publications>

AIDDATA (Research Lab at William & Mary). Includes “China’s Global Public Diplomacy Dashboard” and policy briefs/reports/books on aspects of the PRC’s worldwide influence
<https://www.aiddata.org/>.

International Monetary Fund. The International Monetary Fund publishes an annual report with its recommendations for the PRC government, including the government’s response to the recommendations. The report typically covers the issues of the previous years and how they have been addressed, and current issues (forward looking).

Asian Development Bank --- has a chapter on China in its annual *Asian Development Outlook* and also has other, China-specific reports: <https://www.adb.org/countries/prc/main>

OECD Economic Surveys: China. The OECD typically conducts a survey every two years. The executive summary tends to be available online (for example, for the 2019 issue:

<https://www.oecd.org/economy/surveys/ES%20China%20brochure.pdf>)

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

Among various other institutions that provide relatively up-to-date information on the Chinese economy are <http://chinadashboard.asiasociety.org/> and

<https://macropolo.org/reformpedia/policy-library/> .

Human rights:

Safeguard Defenders: <https://safeguarddefenders.com/en>

Duihua Foundation: <https://duihua.org>

Amnesty International: <https://www.amnesty.org/en/location/asia-and-the-pacific/east-asia/china/>

Human Rights Watch: <https://www.hrw.org/asia/china-and-tibet>

Freedom House China Dissent Monitor: <https://freedomhouse.org/report/china-dissent-monitor>

Orlik, Tom. *Understanding China’s Economic Indicators: Translating the Data into Investment Opportunities*. Upper Saddle River, New Jersey: FT Press Science, 2012.

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.)

Interpretative précis and presentation to the class

Length: 1 page (approximately 500 words) or less is best.

Topics / readings for précis and presentation will be allocated in the second class (first week).

Submit your précis in 'Discussions' on Canvas (copy/paste, or pdf) 24+ hours before class. A good subject line is "Précis PresentationDate ArticleAuthor BriefArticleTitle ByMyName".

Ideally, a précis does three things:

(0) Provide full bibliographic information of the text on which your précis is based.

(1) Presents the key arguments of the text.

May start with a 1-3 sentence statement of what the text is about, followed by a summary of the arguments.

If a causal argument is involved, pay special attention to how the causality is argued to hold ("identification strategy"). If an empirical argument is involved, pay special attention to the dataset used and to the empirical testing.

What's the finding?

Say why we should care about the paper. This can include the paper's contribution to the existing literature. (For example: New idea, better data, better identification strategy / causal test, contradictory findings, etc.)

(2) Provides a critique of these arguments. (For example: Data. Quality of descriptive or causal argument. Plausibility. Quality of idea. Contribution.) It can suggest how to improve the argument and it can suggest additional / new research starting from the text. (For example: more robustness checks, specific additional data, alternative identification strategies, additional/other variables. Suggestions must be realistic.) Also see the term paper evaluation criteria (below) to see what you can look out for in the critique.

(3) "Takeaways:" States the (maximum three) points from this paper (or your critique) that the audience should definitely remember.

A précis is not a summary of the text. Pick the most interesting part(s) and explain it/them to your grandparents. (Skip anything technical.) Write out this explanation = your précis.

In your presentation to the class, you can but need not use powerpoint; speak freely (don't read verbatim from notes); and either tell a good story, or structure your presentation. Ideally, also raise themes for subsequent class discussion.

In sum, a well written précis has the following characteristics: it's short, well structured, uses precise language in clear and easily understandable sentences, presents the key facts/arguments of the article and does not try to summarize everything, ends with a brief 'criticism' to the extent possible, has takeaways that are understandable on first reading, may include a couple of examples to illustrate some points, may relate the material to the current course content or to our current real-world experiences, and refrains from presenting the reviewer's personal view except as relevant in the critique.

Term paper

Preferred length (excluding references, appendices, and footnotes/endnotes): 2,000-4,000 words.

A term paper cannot be a full-fledged research paper. Nevertheless, the following structure, typical for an (economics) *research paper*, may be helpful:

Title

The Question / argument

Precisely state the question / argument. Elaborate in a few additional sentences.

Past Research Relevant to This Question

Literature review.

My Contribution and My Hypothesis(es)/ Theory

State in how far what you want to do is different from the literature. If you are attempting a causal argument, clearly state your hypothesis(es)/ theory and/or the relationship between your hypothesis(es) and the established theory (or literature) in your field.

Research Design/ Data Collection Method

Describe and justify your choice of research design and data collection method (advantages/disadvantages). “Data” can be numerical or non-numerical.

Data Analysis

- (i) Present the data (or mathematical model, if that’s what you do), numerical or non-numerical (information, facts).
- (ii) Analyze the data (qualitatively or quantitatively or both).
- (iii) State the findings (such as that a particular statistical test shows that something is significant or not).

Interpretation of the Findings

Relate the findings to your research question. What do they “mean” for your research question? (This section can be very short, or can be the last paragraph of your data analysis section.)

Conclusions

Restate your question and state your answer to the question.

Feel free to also address additional issues such as: What are the implications of your research findings for theory, policy, or future research? If you originally stated a hypothesis and then found it confirmed, what evidence would you take as a sign that your hypothesis is false? Are there alternative explanations of a phenomenon you are explaining; if so, can you rule them out with your findings? What are the limitations of your study? Any suggestions for further research?

References (unless included in footnotes)

Adopt the formatting of references used in an academic journal of your choice.

Suggestion: Keep it simple. Don’t try to do too much. Ask an interesting, straightforward question and answer it.

Standard formatting: Include your name / student ID, the course code/title, and the date. Paginate (add page numbers in the footer). Double-spaced or 1.75 line spaced would be good, 1-inch margins, 12-point letter size, do not right-adjust. Submit via Canvas.

If your term paper is an extensive literature review, try to give space to *your* contribution. This could be in many different forms, including a detailed discussion of problems of the literature and how these could be addressed, or your own thoughts and ideas about the topic as *not* covered in the literature, or your presentation of data (say, from the *China Statistical Yearbook*) to prove one or more arguments in the literature wrong.

Your term paper must be original work done for this course. It must not be on the same topic as any other past or concurrent work of yours in another course. It is OK to write several term papers in the same field (for different courses or publishing outlets), but there must be no major overlap between what you submit in this course and your other work. It is OK to develop the term paper from your précis.

How your term paper is being evaluated

Three core criteria in the evaluation of the paper are:

- * Is the question (purpose of the paper) clearly formulated?
- * Is your question original/ interesting/ non-trivial (and has not yet been answered)?
- * Is the question answered as unambiguously as possible/ is the argument compelling?

Further criteria in the evaluation of the paper, as relevant given the specific topic, are:

- * Does the literature review show that you are aware of the main literature relevant to your topic, that you understand it, and that you can relate your own research to the body of existing literature?
- * Is the choice of data collection method justified, and is the method appropriate? (No 'overkill,' but appropriate.) Is the data analysis logically consistent?
- * Is the conclusion clearly formulated? (Can an interested reader understand what you are doing just by reading the conclusion of your paper?)

Penalty for late submission: As mandated by the university or otherwise suggested by the School.