



INTRODUCTION TO CHINESE ECONOMY:

Reform and Development

Course Syllabus

Spring Semester, 2023

Instructor	Xieer Dai (Xieer.dai@szu.edu.cn)
Teaching assistant	Dafan Duan Zilin Li
Language of instruction	English
Lectures	16:00-17:25pm Thursday (1-18 week)
Classroom	South-207, Sifang Building (南-207 四方楼)

I. General course description

This course intends to introduce to students the key features of China's economic reform and development from 1978. It starts with a discussion of the pre-reform Chinese economic system and then explains the logic of the reform policies. It compares the reform strategy that China adopted with those in other transition economies. It then reviews the main policies and development in specific areas such as agriculture, manufacturing, international trade, labour market, financial sector, etc. Students should gain sound knowledge about China's reform policy, reasons for economic success, challenges and risks facing the economy, and some options going forward.

II. Prerequisite for taking the course:

Enrollment in this course is conditional on the following qualifications:

Basic Knowledge of basic economics concepts & Good spoken and written English

III. Textbooks:

- Barry Naughton, *The Chinese Economy*, Second Edition, MIT Press, 2018. (or 2007 edition)
- Ross Garnaut, Ligang Song and Fang Cai (editors), *China's 40 Years of Reform and Development 1978-2018*, Australian National University Press, 2018. (Free download from: <http://press-files.anu.edu.au/downloads/press/n4267/pdf/book.pdf?referer=4267>)
- A list of additional readings is provided for the students to deepen understanding of the subjects.

IV. Course arrangements:

The semester has a total of 18 weeks. The 19th week will be final examination.

During the final hour of Lectures 4, 7, 10 and 13, there will be student presentations on the following subjects, respectively:

- Major obstacles for China's rise to a global economic power
- Nature of the China-United States trade war
- Evaluation of China's industrial policy; &
- A potential future financial crisis in China

Students should sign up at the beginning of the semester and work as a group in both preparing and making the presentation during the class. The presentation should be clear and concise, (1) starting with an explicit statement, expressing the group's position on the subject, (2) followed with detailed evidence and reasonings supporting the statement. Please try to avoid unnecessary materials during the presentation

The final exam will be a two-hour written test. There will be three types of questions: concept explanation, questions and answers, and discussion essays.

V. Evaluation:

Presentation:	30%
Participation:	10%
Final exam:	60%

VI. Dates & Topics

Week 1	Lecture 1 Introduction
Week 2	
Week 3	Lecture 2 Reform strategies
Week 4	
Week 5	Lecture 3 Political economy
Week 6	Lecture 4 Agricultural reform
Week 7	<i>Discussion 1 Major obstacles for China's rise to a global economic power</i>
Week 7	Lecture 5 Trade liberalization
Week 8	<i>Discussion 2 Unique feature of the Chinese economic system</i>
Week 9	Lecture 6 Industrialization
Week 10	Lecture 7 State-owned enterprise reform
Week 11	<i>Discussion 3 Nature of the China-United State trade war</i>
Week 12	Lecture 8 Innovation and industrial upgrading <i>Discussion 4 Best approach to revitalize the economy of northeast China</i>
Week 13	Lecture 9 Energy and the environment
Week 14	Lecture 10 Labor and income distribution <i>Discussion 5 Evaluation China's industrial policy</i>
Week 15	Lecture 11 Fiscal system <i>Discussion 6 Self-reliance in the high-tech sector in China</i>
Week 16	Lecture 12 Financial reform <i>Discussion 7 Roles of China in the future global economic system</i>
Week 17	Lecture 13 The capital account <i>Discussion 8 A potential future financial crisis in China</i>
Week 18	Lecture 14 Review
Week 19	Final exam

VII. Additional readings

Lecture 1 Introduction and overview, the Chinese economic history

(Naughton Ch. 2 & 3; GSC Ch. 2 & 3)

1. Zhu, Xiaodong. "Understanding China's growth: Past, present, and future." *Journal of Economic Perspectives* 26.4 (2012): 103-24.
2. Young, Alwyn. "Gold into base metals: Productivity growth in the People's Republic of China during the reform period." *Journal of political economy* 111.6 (2003): 1220-1261.
3. Wu, Harry X. "China's growth and productivity performance debate revisited: Accounting for China's sources of growth with a new data set", EPWP#14-01, Economics Program, the Conference Board, New York, January 2014.
(https://www.conference-board.org/pdf_free/workingpapers/EPWP1401.pdf)

Lecture 2 Reform strategies: development strategy, transaction cost, dual-track system and asymmetrical market reform

(Naughton Ch. 4; GSC Ch. 7 & 8)

4. Lau, Lawrence J., Y. Qian, and G. Roland. "Reform without Losers: An Interpretation of China's Dual-Track Approach to Transition." *Journal of Political Economy* 108.1(2000): 120-143.***
5. Song, Michael Z., Kjetil Storesletten and Fabrizio Zilibotti, "Growing like China". *American Economic Review*, 101.1(2011): 196-233.
6. Zhou, Qiren, 2009, "The unfolding of Deng's drama", *China Economic Journal*, 2009. 2.2: 119-132.
7. Huang, Yiping, 'China's great ascendancy and structural risks: Consequences of asymmetric market liberalization', *Asian Pacific Economic Literature*, 24.1(2010): 65-85.
8. Li, Wei. "The impact of economic reform on the performance of Chinese state enterprises, 1980–1989." *Journal of Political Economy* 105.5 (1997): 1080-1106.

Lecture 3 Political economy of China's economic transition

(GSC Ch. 5)

9. Li, Hongbin, and L. A. Zhou. "Political turnover and economic performance: the incentive role of personnel control in China." *Journal of Public Economics* 89.9–10(2005): 1743-1762.***
10. Guo, Di, et al. "Political economy of private firms in China." *Journal of Comparative Economics* 42.2(2014): 286-303.
11. Yao, Yang, and M. Zhang. "Subnational leaders and economic growth: evidence from Chinese cities." *Journal of Economic Growth* 20.4(2015): 405-436.
12. Xu, Chenggang. "The Fundamental Institutions of China's Reforms and Development." *Journal of Economic Literature* 49.4(2011):1076-1151.

Lecture 4 Agriculture reform: initial success and later problems

(Naughton Ch. 10 & 11; GSC Ch. 24 & 22)

13. Lin, Justin Yifu. "Rural Reforms and Agricultural Growth in China." *American Economic Review* 82.1(1992): 34-51.***
14. Lin, Justin Yifu. "Collectivization and China's agricultural crisis in 1959-1961." *Journal of Political Economy* 98.6 (1990): 1228-1252.
15. Huang, Jikun et al. "Agricultural Trade Reform and Rural Prosperity: Lessons from China." *NBER Working Papers* (2008): 397-423.

Lecture 5 Trade policy, special economic zones and WTO accession

(Naughton Ch. 16 & 17; GSC Ch. 27, 28 & 29)

16. Fan, Haichao, Y. A. Li, and S. R. Yeaple. "On the Relationship Between Quality and Productivity: Evidence from China's Accession to the WTO ☆." *Journal of International Economics* (2017).***
17. Alder, Simon, L. Shao, and F. Zilibotti. "Economic reforms and industrial policy in a panel of Chinese cities." *Journal of Economic Growth* 21.4(2013):1-45.
18. Feng, Ling, Z. Li, and D. L. Swenson. "Trade policy uncertainty and exports: Evidence from China's WTO accession ☆." *Journal of International Economics* 106(2017): 20-36.
19. Yu, Miaojie. "Processing trade, tariff reductions and firm productivity: evidence from Chinese firms." *The Economic Journal* 125.585 (2015): 943-988.

Lecture 6 Industrialization: from rural township and village enterprises to urban industrial development

(Naughton Ch. 12 & 13)

20. Sonobe, Tetsushi, D. Hu, and K. Otsuka. "Industrial development in the inland region of China: A case study of the motorcycle industry." *Journal of Comparative Economics* 34.4(2006): 818-838.***
21. Huang, Zuhui, X. Zhang, and Y. Zhu. "The role of clustering in rural industrialization: A case study of the footwear industry in Wenzhou." *China Economic Review* 19.3(2008): 409-420.
22. Jefferson, Gary H., and T. G. Rawski. "Enterprise Reform in Chinese Industry." *Journal of Economic Perspectives* 8.2(1994): 47-70.
23. Lin, Justin Yifu, F. Cai, and Z. Li. "Competition, Policy Burdens, and State-Owned Enterprise Reform." *American Economic Review* 88.2(1998):422-427.
24. Tan, Yuyan, Yiping Huang and Wing Thye Woo, "Zombie firms and the crowding out of private investment in China". *Asian Economic Papers*. 15.3(2016): 32-55.

Lecture 7 State-owned enterprise reform

(GSC Ch. 18, 19 & 20)

25. Lin, Justin Yifu, Fang Cai, and Zhou Li. "Competition, policy burdens, and state-owned enterprise reform." *The American Economic Review* 88.2 (1998): 422-427.

26. Qian, Yingyi. "Enterprise reform in China: Agency problems and political control." *Economics of Transition* 4.2 (1996): 427-447.
27. Naughton, Barry. "The current wave of state enterprise reform in China: A preliminary appraisal." *Asian Economic Policy Review* 12.2 (2017): 282-298.
28. Nee, Victor. "Organizational dynamics of market transition: Hybrid forms, property rights, and mixed economy in China." *Administrative science quarterly* (1992): 1-27.

Lecture 8 Energy and the environment

(Naughton Ch. 20; GSC Ch. 26)

29. Zhang, Kun-min, and Zong-guo Wen. "Review and challenges of policies of environmental protection and sustainable development in China." *Journal of environmental management* 88.4 (2008): 1249-1261.
30. Liu, Jianguo, and Jared Diamond. "China's environment in a globalizing world." *Nature* 435.7046 (2005): 1179.
31. Van Vuuren, Detlef, et al. "Energy and emission scenarios for China in the 21st century—exploration of baseline development and mitigation options." *Energy Policy* 31.4 (2003): 369-387.
32. Pan, Jiahua, Jonathan Phillips, and Ying Chen. "China's balance of emissions embodied in trade: approaches to measurement and allocating international responsibility." *Oxford Review of Economic Policy* 24.2 (2008): 354-376.
33. Chen, Jie. "Rapid urbanization in China: A real challenge to soil protection and food security." *Catena* 69.1 (2007): 1-15.

Lecture 9 Innovation and industrial upgrading

(Naughton Ch. 15)

34. Wei, Shang-Jin, Zhuan Xie, and Xiaobo Zhang. "From 'Made in China' to 'Innovated in China': Necessity, Prospect, and Challenges." *Journal of Economic Perspectives* 31.1 (2017): 49-70.***
35. Fang, Jing, Hui He, and Nan Li. *China's rising IQ (innovation quotient) and growth: Firm-level evidence*. International Monetary Fund, 2016.
36. Fang, Lily H, J. Lerner, and W. Chaopeng. "Intellectual Property Rights Protection, Ownership, and Innovation: Evidence from China." *Social Science Electronic Publishing* (2016).

Lecture 10 Demography, labor market and income distribution

(Naughton Ch. 7, 8 & 9; GSC Ch. 13 & 21)

37. Li, Hongbin, et al. "The End of Cheap Chinese Labor." *The Journal of Economic Perspectives* 26.4(2012):57-74.***
38. Han, Jun, Runjuan Liu, and Junsen Zhang. "Globalization and wage inequality: Evidence from urban China ☆." *Journal of International Economics* 87.2(2012):288-297.

39. Cai, Fang, and M. Wang. "Growth and structural changes in employment in transition China." *Journal of Comparative Economics* 38.1(2010):71-81.
40. Meng, Xin. "Labor Market Outcomes and Reforms in China." *Journal of Economic Perspectives* 26.4(2012):75-101.

Lecture 11 Reform of the fiscal system

(Naughton Ch. 18; GSC Ch. 15)

41. Liu, Qing, and Y. Lu. "Firm investment and exporting: Evidence from China's value-added tax reform." *Journal of International Economics* 97.2(2015): 392-403.***
42. Zhou, Huizhong. "Fiscal decentralization and the development of the tobacco industry in China." *China Economic Review* 11.2(2000): 114-133.
43. Piketty, Thomas, and N. Qian. "Income Inequality and Progressive Income Taxation in China and India, 1986–2015." *American Economic Journal Applied Economics* 1.2(2009): 53-63.
44. Lin, Shuanglin. "China's capital tax reforms in an open economy." *Journal of Comparative Economics* 32.1(2004): 128-147.

Lecture 12 Transformation of the domestic financial system

(Naughton Ch. 19; GSC Ch. 16)

45. Huang, Yiping and Xun Wang, "Does financial repression inhibit and facilitate economic growth: A case study of China's reform experience". *Oxford Bulletin of Economics and Statistics*, 73.6(2011): 833-855.***
46. Huang, Yiping and Xu Wang. "Building an efficient financial system in China: The need for market discipline", *Asian Economic Policy Review*, 12.2(2017): 188-205.
47. Lai, Tat Kei, Z. Qian, and L. Wang. "WTO accession, foreign bank entry, and the productivity of Chinese manufacturing firms." *Journal of Comparative Economics* 44.2(2016): 326-342.
48. Fu, Xiaoqing, and S. Heffernan. "The effects of reform on China's bank structure and performance." *Journal of Banking & Finance* 33.1(2009): 39-52.
49. Allen, Franklin, J. Qian, and M. Qian. "Law, finance, and economic growth in China." *Journal of Financial Economics* 77.1(2005): 57-116.

Lecture 13 Exchange rate and capital account liberalization

(GSC Ch. 17)

50. Li, Hongbin, H. Ma, and Y. Xu. "How do exchange rate movements affect Chinese exports? — A firm-level investigation." *Journal of International Economics* 97.1(2015): 148-161.
51. Jeanneney, Sylviane Guillaumont, and P. Hua. "How does real exchange rate influence labour productivity in China? ☆." *China Economic Review* 22.4(2011): 628-645.
52. Yiping Huang, et al. "Achieving capital account convertibility in China." *China Economic Journal* 4.1(2011): 25-42.

53. Wei, Shang-Jin, Zhuan Xie, and Xiaobo Zhang. "From 'Made in China' to 'Innovated in China': Necessity, Prospect, and Challenges." *Journal of Economic Perspectives* 31.1 (2017): 49-70.***
54. Fang, Jing, Hui He, and Nan Li. *China's rising IQ (innovation quotient) and growth: Firm-level evidence*. International Monetary Fund, 2016.
55. Fang, Lily H, J. Lerner, and W. Chaopeng. "Intellectual Property Rights Protection, Ownership, and Innovation: Evidence from China." *Social Science Electronic Publishing* (2016).