

**SOSC 4260: China's Economic Transformation
HKUST, Spring 2019**

Course Description

Course Meeting Time and Place

Wednesdays and Fridays, 1:30-2:50pm, Main Academic Building Room 6573 (Lift 29-30)

Contact Information and Office Hours

Instructor: Albert Park, Chair Professor of Social Science and
Professor of Economics and Public Policy
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Course Content and Approach

This course studies the process of economic development in China with emphasis on understanding economic reforms in mainland China since 1978. One goal of the course is to deepen understanding various aspects of China's development experience by examining in depth influential studies and reports on the Chinese economy. A second goal of the course is to gain insight into how empirical research in economics is conducted through rigorous application of economic theory and econometric methods to available data. Lectures will focus on in-depth analysis and discussion of specific issues related to China's economic reform. Course readings will include challenging academic papers, students will be expected to complete readings ahead of lectures to facilitate comprehension and discussion.

Prerequisites

Introductory microeconomics and macroeconomics. Familiarity with calculus and basic statistics is recommended.

Course Website

There is canvas website for the course, which all students should visit frequently to read announcements, download course materials such as handouts, powerpoints, and required readings, and to ask questions or discuss course topics on line. Registered students automatically have access to the site.

Readings

All required readings will be made available on the course website.

A good general reference book is Barry Naughton's book *The Chinese Economy: Adaptation and Growth* (Cambridge and London: The MIT Press), 2018. Another good reference is Loren Brandt and Thomas Rawski's edited volume, *China's Great Economic Transformation* (Cambridge: Cambridge University Press), 2008, which provides a rigorous overview to many specific topics.

Requirements

All students must take a midterm examination, make two in-class presentations, and write a research paper. The mid-term will be taken in class and will consist of multiple choice questions and short answer questions. The two class presentations include a 10-minute report on a reading (with a partner) and participation in 30-minute debate in teams. A list of suggested readings for presentation will be provided.

Term Paper. The papers are on original research topics chosen by students. For economics majors, the term paper meets the Econ 4670 requirement. Group projects are encouraged and can include no more than 3 students in a group. The length of the paper must be from 7-10 pages per student. Individual papers should be 10-12 pages/ Students should turn in a one-page description of the paper topic no later than March 13th, after which individual meetings will be scheduled to discuss the research plan in depth. I am happy to read one draft of the paper and provide comments before the final version is submitted, but only if the draft is submitted by April 26th. Term papers are due in class on the last day of class May 8th. A half grade will be deducted for each day that the paper is late (5pm each day). This policy will be enforced strictly in fairness to those who hand in their assignments on time and to the person who must grade the papers (me). Extension requests will be granted only under exceptional circumstances and must be made as soon as the student is aware of a possible conflict.

Grading

The weighting for final grade determination is the following: mid-term exam 35 percent, research paper 35 percent, in-class presentations 15% each.

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Lecture Schedule and Assigned Readings

- January 30 Institutions and Institutional Change
- North, Douglas. *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press), 1990, pp. 3-10, 107-117.
- February 1 Why Didn't China Industrialize Before the West?
- Lin, Justin. "The Needham Puzzle: Why the Industrial Revolution Did Not Originate in China," *Economic Development and Cultural Change* 43:2, January 1995, pp.269-292.
- February 8 Documentary: The Mao years
- February 13 The Great Famine
- Lin, Justin. "Collectivization and China's Agricultural Crisis in 1959-61," *Journal of Political Economy* 8:6, December 1990, pp.1228-1252
- February 15 Cultural Revolution
- Li, Hongbin, Mark Rosenzweig, and Junsen Zhang. "Altruism, Favoritism, and Guilt in the Allocation of Family Resources: Sophie's Choice in Mao's Mass Send-Down Movement", *Journal of Political Economy* 118(1): 1-38, 2010.
- February 20 China's Gradualist Reforms
- Naughton, Barry. "Market Transition: Strategy and Process," *The Chinese Economy: Adaptation and Growth* (Cambridge and London: The MIT Press), 2018, pp. 95-126.
- February 22 Household Responsibility System
- Lin, Justin Yifu, 1992. "Rural Reforms and Agricultural Growth in China," *American Economic Review*. 82(1): 34-51.
- February 27 Rise and Fall of Township and Village Enterprises
- Che, Jiahua, and Yingyi Qian. "Institutional Environment, Community Government, and Corporate Governance: Understanding China's Township-Village Enterprises", *Journal of Law, Economics, and Organization* 14(1):1-23, 1998.
- March 1 The Problem of State-Owned Enterprises

- Naughton, Barry. "Industry: Ownership and Corporate Governance," *The Chinese Economy: Adaptation and Growth* (Cambridge and London: The MIT Press), 2018, pp.333-362.
- March 6 Fiscal System and Decentralization
- Jin, Hehui, Yingyi Qian, and Barry Weingast. "Regional Decentralization and Fiscal Incentives: Federalism, Chinese Style", *Journal of Public Economics* 89: 1719–1742, 2005.
- March 8 Financial System, Soft Budget Constraint, and Shadow Banking
- Qian, Yingyi, and Gerard Roland. "The Soft Budget Constraint in China, *Japan and the World Economy* 8: 207 223, 1996.
- March 13 International Trade
- Autor, David H., David Dorn, and Gordon H. Hanson, "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," *American Economic Review* 103(6): 2121-68, 2013.
- March 15 FDI in China
- Hsieh, Chang-tai, and Keong T. Woo. "The Impact of Outsourcing to China on Hong Kong's Labor Market" *American Economic Review*, 2005.
- March 20 China's Belt and Road Initiative
- TBA
- March 22 Economic Growth
- Zhu, Xiaodong. "Understanding China's Growth: Past, Present, and Future", *Journal of Economic Perspectives* 26(4): 103–124, 2012.
- March 27 Governance and Economic Development
- Li, Hongbin & Zhou, Li-An. "Political turnover and economic performance: the incentive role of personnel control in China," *Journal of Public Economics*, 89(9-10): 1743-1762, 2005.
- March 29 Migration and Discrimination
- Zhang, Zuoni, and Xiaogang Wu. "Occupational Segregation and Earnings Inequality: Rural Migrants and Local Workers in Urban China," *Social Science Research* 61: 57-74, 2017.
- April 3 Labor Markets

Hongbin Li & Lei Li & Binzhen Wu & Yanyan Xiong. "The End of Cheap Chinese Labor," *Journal of Economic Perspectives* 26(4): 57-74, 2012.

April 10 The Future of Jobs in China

TBA

April 12 Poverty and Inequality

Park, Albert, and Sangui Wang. "Community Development and Poverty Alleviation: An Evaluation of China's Poor Village Investment Program," *Journal of Public Economics*, 94(9-10): 790-799, 2010.

April 17 Midterm Examination

April 24 Demography and Family Planning

Shang-Jin Wei & Xiaobo Zhang. "The Competitive Saving Motive: Evidence from Rising Sex Ratios and Savings Rates in China," *Journal of Political Economy* 119(3): 511-564, 2011.

April 26 Challenges of Population Aging

Huang, Wei, and Chuanchuan Zhang. *The Power of Social Pensions*, Working Paper, Harvard University, 2017.

May 3 Debates

May 8 Debates

Term Paper Due