

CCSS3550/CHES5156 Political Economy of China's Reform

CHES2003 China's Political Economy

Spring 2021

Instructor: Prof. Li Chen (lichen@cuhk.edu.hk)

Lecture/Tutorial: Thursday 2:30 - 5:15, Online Teaching.

TA: TBC; **Office Hours:** by appointment

Office: Room1108, 11/F, Yasumoto International Academic Park, CUHK

Course Description

This course examines the key aspects of China's institutional reform and political-economic development since the 1970s. It reviews the major policy controversies on China's system transition, based on leading research contributions from the academia, policy think tanks and international institutions. Students will gain a deeper understanding of why and how China has reformed; and to what extent China's experience may be generalized as a model for other developing countries.

Learning outcomes

By the end of the semester, students should:

- gain a better understanding of the processes and mechanisms of China's reform and institutional evolution since the 1970s
- be familiar with various theoretical approaches and conceptual frameworks from the political-economic perspective to analyze China's reform
- be able to critically evaluate the major reform policy debates in contemporary China.

Course readings

This course has no standard textbook, but requires intensive reading of academic literature and policy reports assigned by the instructor. The required readings for discussion will be posted to Blackboard. Students are required to bring the readings in hard copy to the class.

Assessment

Attendance 15%

Weekly reading discussion 15%

Student presentation 20%

Final test 25%

Term paper 25%

- **Preparation of discussion questions:** there will be assigned readings for each week, and students are expected to come to class having done the readings and ready to participate in class discussion. For each session of discussion, a group of students will be assigned to lead discussion with an introductory presentation, and will be required to email at least **three discussion questions** to the teaching assistant by **5:00 p.m. Thursday the previous week**. Based on course enrollment, each student should expect to lead discussion once or twice in the semester.

- **Student presentation:** students will research and make a presentation on a self-selected topic concerning a significant political-economic issue on Chinese reforms. The topic may be the same with the student's term paper, or may differ.
- **Final test:** there will be **one final test** that examines the topics discussed in class. There will be no make-up tests unless a student has a documented medical excuse.
- **Term paper:** Students will research and write a paper on a self-selected topic concerning a significant political-economic issue on Chinese reforms. The topics need to be developed in consultation with the instructor. Students should resort to original academic references (journal articles, book chapters), official statistics, and reliable news media reporting. The paper should be of the length of 3000-4000 words.

Students should submit a soft copy to the *Veriguide* system first and include the *Veriguide* receipt on the hard copy that they submit to the instructor. The assessment will be based on the hard copy, which must be submitted **no later than 5pm on April 30**, double-spaced with standard margins and in 12-point Times New Rome font. **Hard copies without the *Veriguide* receipt will NOT be graded.** See the website: https://services.veriguide.org/academic/login_CUHK.aspx

Late submission of papers without a documented medical excuse will result in a 5% penalty and an additional 5% for every additional day.

Academic Honesty and Plagiarism

The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on the web:
<http://www.cuhk.edu.hk/policy/academichonesty/>

Class schedule

1 Introduction

2 Post-Soviet transition and China's reform: big-bang therapy v.s incremental reform

Useful Readings

- McMillan, J. and Naughton, B. (1992) 'How to reform a planned economy: lessons from China', *Oxford Review of Economic Policy*, 8(1). 459-473.
- Murrell, P. (1993) "What is shock therapy? What did it do in Poland and Russia?", *Post-Soviet Affairs*, 9(2). 111-140.
- Nolan, P. (1995) *China's Rise, Russia's fall: Politics, Economics and Planning in the Transition from Stalinism*, Basingstoke: Macmillan.
- Shirk, S. (1993) *The Political Logic of Economic Reform in China*, Berkeley: University of California Press

3 Leadership and elite politics in China's reform

Useful readings

- Li, Cheng and White, L. (1990) 'Elite transformation and modern change in Mainland China and Taiwan', *China Quarterly*, No.121: 1-35

- Shirk, S. (1993) *The Political Logic of Economic Reform in China*, Berkeley: University of California Press
- Vogel, E. (2011) *Deng Xiaoping and the Transformation of China*, Cambridge, MA: Harvard University Press
- Zhu, Rongji (2013) *Zhu Rongji on the Record: The Road to Reform 1991-1997*, Washington D.C: Brookings Institution.

4 Experimentalism and planning in China's reform

Useful readings

- Heilmann, S. (2008a) "Policy experimentation in China's economic rise", *Studies in Comparative International Development*, 43 (1): 1-26
- Heilmann, S. (2008b) "From local experiments to national policy: The origins of China's distinctive policy process", *China Journal*, No.59: 1-30
- Heilmann, S. and Perry, E. (2011) *Mao's Invisible Hand: The Political Foundations of Adaptive Governance in China*, Cambridge, MA: Harvard University Press
- Heilmann, S. (2011) "Making Plans for Markets: Policies for the Long Term in China", *Harvard Asia Quarterly*, 13 (2):33-40
- Heilmann, S. and Melton, O. (2012) "The Reinvention of Development Planning in China, 1993–2012", *Modern China*, 39 (6): 580-628

5 The architecture of China's governance system: M-form v.s U-form

Useful readings

- Qian, Yingyi and Xu, Chenggang (1993) 'Why China's economic reforms differ: the M-form hierarchy and entry/expansion of the non-state sector', *Economics of Transition*, 1(2): 135–170
- Montinola, G., Qian, Yingyi and Weingast, B. R. (1995) 'Federalism, Chinese style: the political basis for economic success in China', *World Politics*, 48(1): 50–81
- Qian, Yingyi (2000) "The process of China's market transition (1978–1998): the evolutionary, historical, and comparative perspectives", *Journal of Institutional and Theoretical Economics*, 156(1): 151–171
- Cai, Hongbin and Treisman, D. (2006) 'Did government decentralization cause China's economic miracle?', *World Politics*, 58(4): 505–535
- Xu, Chenggang (2011) "The fundamental institutions of China's reforms and development", *Journal of Economic Literature*, 49 (4):1076-1151

6-7 Industrial policy and state-owned enterprise reform

Useful readings

- Nolan, P. (1996) "Large firms and industrial reform in former planned economies: the case of China", *Cambridge Journal of Economics*, 20: 1–29
- Nolan, P. and Wang, X. (1999) "Beyond privatization: institutional innovation and growth in China's large state-owned enterprises", *World Development*, 27(1): 169–200
- Perkins, D. H. (2001) "Industrial and financial policy in China and Vietnam: a new model or a replay of the East Asian experience?" in J. E. Stiglitz and S. Yusuf (eds.), *Rethinking the East Asian miracle*, Washington, D.C.: World Bank, pp. 247–294

- Sutherland, D. (2003) *China's Large Enterprises and the Challenge of Late Industrialisation*, London: Routledge
- Brødsgaard, K. E. (2012) "Politics and business group formation in China: the Party in control?", *China Quarterly*, No.211: 624–648
- Heilmann, S. and Shih, L. (2013) *The Rise of Industrial Policy in China, 1978–2012*, Harvard-Yenching Institute Working Paper Series

8-9 China's financial sector reform

Useful readings

- Allen, F., Qian, Ju and Qian, Meijun (2008) "China's financial system: past, present and future" in. Brandt and T. Rawski (ed.), *China's Economic Transition: Origins, Mechanism, and Consequences*, Cambridge: Cambridge University Press
- Heilmann, S. (2005) 'Regulatory innovation by Leninist means: Communist party supervision in China's financial industry', *China Quarterly*, 181: 1–21
- Walter, C. and Howie, F. (2006) *Privatizing China: Inside China's Stock Markets*, Singapore: John Wiley & Sons
- Downs, E. (2011) *Inside China, Inc.: China Development Bank's Cross-Border Energy Deals*, Washington D.C.: Brookings Institution
- Walter, C. and Howie, F. (2011) *Red Capitalism: the Fragile Financial Foundation of China's Extraordinary Rise*, Singapore: John Wiley & Sons
- Sanderson, H. and Forsythe, M. (2013) *China's Super-bank: Debt, Oil and Influence – How China Development Bank is Rewriting the Rules of Finance*, Singapore: John Wiley & Sons.

10-11 Fiscal reform and the evolution of local state corporatism

Useful readings

- Oi, J. (1995) "The role of the local state in China's transitional economy", *China Quarterly*, No.144, pp 1132-1149
- Zhang, Le-Yin (1999) "Chinese central-provincial fiscal relationships, budgetary decline and the impact of the 1994 fiscal Reform: an evaluation," *China Quarterly*, No.157. pp. 115-141
- Wong, C. (2013) "Reforming China's public finances for long-term growth", in Garnaut, R. and Song, L. (eds.). *China: A New Model for Growth and Development*, Canberra: Australian National University Press, pp. 199-219
- Wong, C. (2013) "Paying for urbanization: challenges for China's municipal finance in the 21st Century", in Bahl, R., Linn, J. and Wetzels, D. (eds.). *Metropolitan Government Finances in Developing Countries*, Cambridge, MA: Lincoln Institute for Land Policy, 2013, pp. 273-308

12 Bureaucracy and state capacity in China's reform

Useful readings

- Mertha, A. (2009) "Fragmented authoritarianism 2.0: political pluralization in the Chinese policy process", *China Quarterly*, No. 200, pp. 995-1012

- Wong, C. (2009) "Rebuilding government for the 21st Century: can China incrementally reform the public sector?" *China Quarterly*, No. 200, pp. 929-952.
- Tsang, S. (2009) "Consultative Leninism: China's new political framework", *Journal of Contemporary China*, No.62, pp.865-80
- Zheng, Yongnian (2004) *Globalization and State Transformation in China*, Cambridge: Cambridge University Press.
- Zheng, Yongnian (2010) *The Chinese Communist Party as Organizational Emperor: Culture, Reproduction and Transformation*, London: Routledge.
- Yang, Dali (2004) *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China*. Stanford: Stanford University Press.
- The World Bank (2012), *China 2030: Building a Modern, Harmonious, and Creative Society*, Washington DC: The World Bank, pp 361-410.

Final Test