

**Syllabus for The Chinese Economy (PPHA 35585 / Econ 22030 / PBPL 25585)
Winter 2023**

Instructor : Shaoda Wang

Tuesday/Thursday: 11.00am-12.20pm (session 1); 3.30-4.50pm (session 2)

The course will familiarize students with issues related to the contemporary Chinese economy: its history, the success of its reforms in the past four decades and the reasons for it, China's specific institutions in the world economy and problems it is facing in the 21st century.

The course will consist of four parts: (1) pre-1949: we will discuss the "Great Divergence" between China and the West, China's "Century of Humiliation" since the Opium War, and the rise of communist ideas in China; (2) central planning: we will discuss the logic and consequences of China's national strategy prioritizing the heavy industries, and political movements deviating from socialist development; (3) economic reform and opening up: we will discuss China's economic reform since 1978, focusing on the political and economic logics behind the reform process; (4) post-reform topics: we will discuss different domains of the contemporary Chinese economy, including topics related to rural development, fiscal system, land finance, state sector, environment, rule of law, industrial policy, digital economy, etc.

Grading: 5% class participation, 45% short response essays (3 essays, 15% each), 50% final essay.

Each student is expected to write (independently) three response articles based on any topics covered in class, the article should not exceed 800 words. The response article should very briefly summarize the topic of interest, and discuss it critically. Comprehensiveness is not the priority of a response article, new questions, ideas, insights, and critics will be most highly valued. The first response article is due one week after Lecture 5, the second is due one week after Lecture 9, and the third is due before Lecture 18. Late submissions will be penalized by 1 point per day.

For the final essay, students are allowed to work in groups up to two, and the limit is 15 pages (1.5 spaced). The essay can be about any topic related to the Chinese economy. For example, it can be an in-depth review article on some important economic policy in China, such as introducing the background and evolvement of China's carbon emissions trading market; or it can also be a formal research proposal, with a well-defined research question, a literature review, discussions of the institutional background, and a rigorous research design. Students are encouraged to consult the TA or the instructor before choosing their final essay topics. The final essay is due by 5pm CST on Wednesday 3.6. No late submission will be accepted.

TAs: Haoran Gao (haorangao@uchicago.edu);

Felicity Zhang (felicityzhang@uchicago.edu)

Emails: You can reach me at shaoda@uchicago.edu. Please write the email with a subject in the format of “[**Chinese Economy**] X” (substituting “X” with a brief title of your questions or issues). In the email your full name should be included. Please feel free to write me on administrative issues that are not covered in the syllabus, or about your concerns related to the course. Specific questions on the course material are supposed to be answered in lectures or office hours.

Instructor Office Hour: Friday 5:00-6:30pm (Keller 2055); please sign up here: <https://calendar.app.google/87dFgdZULf6JZM3j7>

TA Office Hour:

Haoran Gao: Friday 8:30-10am, Keller 2082

Felicity Zhang: Wed 4-5:30pm, Keller 2008

Tentative Course Topics

Lecture 1: Introduction and Logistics

Part 1. Pre-PRC Era:

Lecture 2: The Great Divergence

- Pomeranz, Kenneth. *The great divergence*. Princeton University Press, 2021. Part ONE.
- Loren Brandt, Debin Ma, and Thomas G Rawski (2014). “From Divergence to Convergence: Re-evaluating the History Behind China’s Economic Boom”. *Journal of Economic Literature* 52.1, pages 45–61
- Wong, Roy Bin. *China transformed: historical change and the limits of European experience*. Cornell University Press, 1997. Chapter 1.
- Lin, Justin Yifu. *Demystifying the Chinese economy*. Cambridge university press, 2011. Chapter 2.

Lecture 3: Century of Humiliation and Rise of Communism

- Lin, Justin Yifu. *Demystifying the Chinese economy*. Cambridge university press, 2011. Chapter 3.
- Perry, Elizabeth J. *Challenging the Mandate of Heaven: Social Protest and State Power in China*. Routledge, 2015. Chapters 5 and 6.
- Chase, Kenneth. *Firearms: A global history to 1700*. Cambridge University Press, 2003. Introduction chapter.

Part 2. Central Planning Era:

Lecture 4: Central Planning

- Naughton, Barry J. *The Chinese economy: Transitions and growth*. MIT press, 2006. Chapter 4.
- Lin, Justin Yifu. *Demystifying the Chinese economy*. Cambridge university press, 2011. Chapters 4 and 5.

- Kornai, Janos. *The socialist system: The political economy of communism*. Princeton University Press, 1992. Chapter 3.

Lecture 5: **Great Leap Forward and Cultural Revolution**

- Lin, Justin Yifu. *Demystifying the Chinese economy*. Cambridge university press, 2011. Chapter 4.
- Meng, Xin, Nancy Qian, and Pierre Yared. "The institutional causes of China's Great Famine, 1959–1961." *The Review of Economic Studies* 82, no. 4 (2015): 1568-1611.
- MacFarquhar, Roderick. *The Origins of the Cultural Revolution: Volume II, the Great Leap Forward 1958--1960*. Vol. 2. Columbia University Press, 1983.

Part 3. Reform and Opening Up:

Lecture 6: **Overview of the Reform Process**

- Naughton, Barry J. *The Chinese economy: Transitions and growth*. MIT press, 2006. Chapter 5.
- Lin, Justin Yifu. *Demystifying the Chinese economy*. Cambridge university press, 2011. Chapter 6.
- Vogel, Ezra F. *Deng Xiaoping and the transformation of China*. Vol. 10. Cambridge, MA: Belknap Press of Harvard University Press, 2011. Chapter 6.

Lecture 7: **How Reform Worked in China**

- Qian, Yingyi. *How reform worked in China: The transition from plan to market*. MIT Press, 2017. Introduction chapter and Chapter 1.
- Blanchard, Olivier, and Andrei Shleifer. "Federalism with and without political centralization: China versus Russia." *IMF staff papers* 48, no. 1 (2001): 171-179.

Lecture 8: **Growth and Structural Change**

- Naughton, Barry J. *The Chinese economy: Transitions and growth*. MIT press, 2006. Chapter 7.
- Bosworth, Barry, and Susan M. Collins. "Accounting for growth: comparing China and India." *Journal of Economic Perspectives* 22, no. 1 (2008): 45-66.
- Brandt, Loren, John Litwack, Elitza Mileva, Luhang Wang, Yifan Zhang, and Luan Zhao. "China's Productivity Slowdown and Future Growth Potential." (2020).
- Rawski, Thomas G. "What is happening to China's GDP statistics?." *China Economic Review* 12, no. 4 (2001): 347-354.
- Xianchun, Xu. "China's gross domestic product estimation." *China Economic Review* 15, no. 3 (2004): 302-322.

Lecture 9: **Policy Making and Policy Experimentation**

- Heilmann, Sebastian. "From local experiments to national policy: the origins of China's distinctive policy process." *The China Journal* 59 (2008): 1-30.
- Heilmann, Sebastian. "Policy experimentation in China's economic rise." *Studies in comparative international development* 43, no. 1 (2008): 1-26.

- Wang, Shaoda, and David Y. Yang. *Policy Experimentation in China: the Political Economy of Policy Learning*. No. w29402. National Bureau of Economic Research, 2021.
- Zhu, Xufeng. "Mandate versus championship: Vertical government intervention and diffusion of innovation in public services in authoritarian China." *Public Management Review* 16, no. 1 (2014): 117-139.
- Wang, Shaoguang. "Adapting by learning: the evolution of China's rural health care financing." *Modern China* 35, no. 4 (2009): 370-404.

Part 4. Post-Reform Topics:

Lecture 10: China's Fiscal System

- Naughton, Barry J. *The Chinese economy: Transitions and growth*. MIT press, 2006. Chapter 20.
- Qian, Yingyi. *How reform worked in China: The transition from plan to market*. MIT Press, 2017. Chapters 7, 8, 9.
- Xu, Chenggang. "The fundamental institutions of China's reforms and development." *Journal of economic literature* 49, no. 4 (2011): 1076-1151.
- Zhou, Feizhou, and Mingzhi Tan. "Tax-sharing system." In *Relationship between the Central Government and Local Governments of Contemporary China*, pp. 37-55. Springer, Singapore, 2017.

Lecture 11: Land Finance and Local Debt

- Chen, Ting, and James Kai-sing Kung. "Busting the "Princelings": The campaign against corruption in China's primary land market." *The Quarterly Journal of Economics* 134, no. 1 (2019): 185-226.
- Cai, Hongbin, J. Vernon Henderson, and Qinghua Zhang. "China's land market auctions: evidence of corruption?." *The Rand journal of economics* 44, no. 3 (2013): 488-521.
- Cao, Guangzhong, Changchun Feng, and Ran Tao. "Local "land finance" in China's urban expansion: challenges and solutions." *China & World Economy* 16, no. 2 (2008): 19-30.
- Chen, Zhuo, Zhiguo He, and Chun Liu. "The financing of local government in China: Stimulus loan wanes and shadow banking waxes." *Journal of Financial Economics* 137, no. 1 (2020): 42-71.
- He, Zhiguo, Scott Nelson, Yang Su, Anthony Lee Zhang, and Fudong Zhang. "Is There an Industrial Land Discount in China? A Public Finance Perspective." *University of Chicago, Becker Friedman Institute for Economics Working Paper* 2022-24 (2022).

Lecture 12: Urban Development and Migration

- Guest lecture (Ming Lu, Professor at Shanghai Jiaotong University)

Lecture 13: China's State Sector

- Naughton, Barry J. *The Chinese economy: Transitions and growth*. MIT press, 2006. Chapter 14.
- Lin, Justin Yifu. *Demystifying the Chinese economy*. Cambridge university press, 2011. Chapters 8 and 9.
- Hsieh, Chang-Tai, and Zheng Michael Song. *Grasp the large, let go of the small: The transformation of the state sector in China*. No. w21006. National Bureau of Economic Research, 2015.
- Hsieh, Chang-Tai, and Peter J. Klenow. "Misallocation and manufacturing TFP in China and India." *The Quarterly journal of economics* 124, no. 4 (2009): 1403-1448.
- Lin, Justin Yifu, and Guofu Tan. "Policy burdens, accountability, and the soft budget constraint." *American Economic Review* 89, no. 2 (1999): 426-431.
- Kornai, Janos, Eric Maskin, and Gérard Roland. "Understanding the soft budget constraint." *Journal of economic literature* 41, no. 4 (2003): 1095-1136.
- Wen, Jaya. "The political economy of state employment and instability in China." *Working paper, Yale University* (2020).

Lecture 14: **Over-Investment and Trade Imbalances**

- Guest lecture (Michael Pettis, Professor at Peking University)

Lecture 15: **Industrial Policies in China**

- Guest lecture (Damien Ma, Managing Director of Think Tank, Paulson Institute; Co-Founder, MacroPolo)

Lecture 16: **Rule of Law and the Chinese Economy**

- Liu, Ernest, Yi Lu, Wenwei Peng, and Shaoda Wang. *Judicial Independence, Local Protectionism, and Economic Integration: Evidence from China*. No. w30432. National Bureau of Economic Research, 2022.
- Zhang, Taisu, and Tom Ginsburg. "China's turn toward law." *Va. J. Int'l L.* 59 (2019): 306.
- Bai, Chong-En, Chang-Tai Hsieh, and Zheng Song. "Special deals with Chinese characteristics." *NBER macroeconomics annual* 34, no. 1 (2020): 341-379.
- Ang, Yuen Yuen, and Nan Jia. "Perverse complementarity: Political connections and the use of courts among private firms in China." *The Journal of Politics* 76, no. 2 (2014): 318-332.
- Minzner, Carl F. "China's turn against law." *The American Journal of Comparative Law* 59, no. 4 (2011): 935-984.
- Wang, Yuhua, and Carl Minzner. "The rise of the Chinese security state." *The China Quarterly* 222 (2015): 339-359. Chapters 1, 2, 3.

Lecture 17: **China's Environmental Issues**

- Chen, Yuyu, Avraham Ebenstein, Michael Greenstone, and Hongbin Li. "Evidence on the impact of sustained exposure to air pollution on life expectancy from China's Huai River policy." *Proceedings of the National Academy of Sciences* 110, no. 32 (2013): 12936-12941.

- Ebenstein, Avraham. "The consequences of industrialization: evidence from water pollution and digestive cancers in China." *Review of Economics and Statistics* 94, no. 1 (2012): 186-201.
- He, Guojun, Shaoda Wang, and Bing Zhang. "Watering down environmental regulation in China." *The Quarterly Journal of Economics* 135, no. 4 (2020): 2135-2185.
- Greenstone, Michael, Guojun He, Shanjun Li, and Eric Yongchen Zou. "China's war on pollution: Evidence from the first 5 years." *Review of Environmental Economics and Policy* 15, no. 2 (2021): 281-299.
- Buntaine, Mark, Michael Greenstone, Guojun He, Mengdi Liu, Shaoda Wang, and Bing Zhang. "Citizen Participation and Government Accountability: National-Scale Experimental Evidence from Pollution Appeals in China." *Working paper, University of Chicago* (2021).
- Goulder, Lawrence H., Xianling Long, Jieyi Lu, and Richard D. Morgenstern. *China's unconventional nationwide CO2 Emissions Trading System: the wide-ranging impacts of an implicit output subsidy*. No. w26537. National Bureau of Economic Research, 2019.

Lecture 18: **Connecting China and the World**

- Lin, Justin Yifu. *Demystifying the Chinese economy*. Cambridge university press, 2011. p287-299.
- Wang, Gungwu. *China reconnects: Joining a deep-rooted past to a new world order*. 2019. Part Two.
- Rodrik, Dani. *The globalization paradox: Democracy and the future of the world economy*. WW Norton & Company, 2011. Chapters 9 and 10.
- Rodrik, Dani. "The double standard of America's China trade policy." *Project syndicate* (2018).
- Allison, Graham, Robert D. Blackwill, and Ali Wyne. *Lee Kuan Yew: the grand master's insights on China, the United States, and the world*. MIT Press, 2013. Chapters 1, 2, 3.
- Mahbubani, Kishore. *Has China Won? The Chinese challenge to American primacy*. Hachette UK, 2020. Chapter 1.
- 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, no. 6 (2013): 2121-68.