

ECON 272/PSCI 227
China: Institutions and the Economy

Spring 2018

M/W: 2–3:30PM

Location: McNeil [286-287](#)

Professor Hanming Fang, Economics Department (McNeil 429), OH: W 3:30–4:30pm
Professor Yue Hou, Political Science Department (Stiteler 213), OH: Friday 3:00–5:00PM
TA Ming Li (McNeil 317), OH: Friday 10:00am–12:00noon

Course Overview

The rise of China has undoubtedly been one of the most important developments in the twenty first century. Since China embarked its economic reform starting 1978, the Chinese economy has grown at an unprecedented annual rate of 9.5 percent for more than three decades. More than 500 million people were lifted out of poverty. China is now second largest economy in the world, the world's largest trading nation, and the holder of the biggest foreign exchange reserves.

In this seminar, we will cover topics including: the political logic of China's economic reform, the institutional foundations of the Chinese economic growth miracle, corruption/anti-corruption, labor market transitions in China, China's integration into the world economy, Chinese financial market, among others.

In Week One, we will collectively choose 8 topics to cover for the semester. We will spend three sessions on each topic: In the first two sessions, the instructors will lecture and present two main articles, one from economics and one from political science. In the third session, students will present two other required readings for that week and engage in discussions. Students will sign up to present once, in a group of 3 or 4, and will also write a referee report on the academic article they present on.

[The course will be mostly based on discussions of research papers. We do not assign a textbook. A new website VoxChina.org, co-founded by Professor Fang, posts summaries based on research papers on issues related to Chinese economy. It will be a useful source of information for many current topics.](#)

Grading

Class Participation (10%), Presentation and Referee Report (25%), Midterm Exam (30%), Final Exam (35%).

- Presentation (10%) and Referee Report (15%): Starting from Topic 3, students will be presenting an academic journal article in a group of 3 or 4. A good presentation will: (1) clearly identify the descriptive and/or causal claims made in the reading, (2) describe the evidence the author uses to support these claims, and (3) evaluate the quality of the evidence (i.e., is it convincing?). Presentations should be about 30 minutes.

- Students are expected to submit a referee report (3-4 pages, double space) critiquing the article they are presenting on by 2:00PM on the presentation day. See Canvas for referee report examples.
- Midterm (3/12) and final (4/25) exams are both in-class and open-notes. Political science and economics majors will have *different* exams.
- Late assignments will be penalized one third of a grade (e.g., A- to B+) for every day.

Agenda (25 sessions, 2 exam days)

Topic 1: Overview of Economic Reform. 1/17, 1/22

Topic 2: 1/24, 1/29

Topic 3: 1/31, 2/5, 2/7

Topic 4: 2/12, 2/14, 2/19

Topic 5: 2/21, 2/26, 2/28

Spring Break: 3/2–10

Midterm Exam: 3/12

Topic 6: 3/14, 3/19, 3/21

Topic 7: 3/26, 3/28, 4/2

Topic 8: 4/4, 4/9, 4/11

Topic 9 (or conclusion, make-up presentations): 4/16, 4/18, 4/23

Final Exam: 4/25

Potential Topics

(The instructors will lecture the first two articles in depth in the first two sessions. Students will choose one of the * articles to present in the third session. Articles with # are optional readings)

- Topic 1: Overview: Economic Reform
 - Xu, Chenggang. "The Fundamental Institutions of China's Reform and Development" *Journal of Economic Literature*: 49(4): 1076–1151.
 - # Justin Yifu Lin. 1992. "Rural Reforms and Agricultural Growth in China." *American Economic Review*, Vol. 82, No. 1 (March): 34-51.
 - # Naughton, Barry. "Growing out of the plan: Chinese economic reform, 1978-1993.
- Topic 2: Political Institution: Regime Type, Rule of Law, Corruption
 - Cai, Hongbin, Hanming Fang and Lixin Colin Xu. 2011. "Eat, Drink, Firms, Government: An Investigation of Corruption from the Entertainment and Travel Costs of Chinese Firms" *Journal of Law and Economics*.
 - # Manion, Melanie. 2016. "Taking China's Anticorruption campaign seriously" *Economic and Political Studies*. 4(1):3-18.
 - Melanie Manion, "Lessons for Mainland China from Anticorruption Reform in Hong Kong," *China Review*, vol. 4, no. 2 (2004): 81–97.
 - * Ding, [Haoyuan](#), [Hanming](#) Fang, [Shu](#) Lin and [Kang](#) Shi. 2017. "Equilibrium Consequences of Corruption on Firms: Evidence from China's Anti-Corruption Campaign" *Working Paper*.

- * Jia, Ruixue and Huihua Nie. 2015. "Decentralization, Collusion and Coalmine Deaths," *Review of Economics and Statistics*.
- # Qian, Nancy and Jaya Wen. 2015. "The Impact of Xi Jinping's Anti-Corruption Campaign on Luxury Imports in China" Working Paper.
- Topic 3: Institution 2: Bureaucracy, Political Competition, Selection
 - Li, Hongbin and Li-An Zhou. 2005. "Political Turnover and Economic Performance: The Incentive Role of Personnel Control in China." *Journal of Public Economics*, 89: 1743-1762.
 - * Shih, Adolph and Liu. 2012. "Getting ahead in the Communist Party: Explaining the Advancement of Central Committee Members in China" *American Political Science Review*.
- Topic 4: Decentralization
 - Montinola Gabriella, Yingyi Qian and Barry Weingast. 1995. "Federalism, Chinese Style: The Political Basis for Economic Success in China." *World Politics*.
 - Che, Jiahua and Yingyi Qian. 1998. "Insecure Property Rights and Government Ownership of Firms." *The Quarterly Journal of Economics* 113(2): 467-496.
 - * Cai, Hongbin and Daniel Treisman. 2006. "Did Government Decentralization Cause China's Economic Miracle?" *World Politics*.
 - * Bernstein, Thomas B. and Xiaobo Lu. 2000. "Taxation without Representation: The Central and Local States in Reform China" *China Quarterly* 163: 742-763.
 - * Guo, Gang. 2009. "China's Local Political Budget Cycles." *American Journal of Political Science*. 53(3):621-632.
- Topic 5: Informal Institutions
 - Xu, Yiqing and Yang Yao. 2015. "Informal Institution, Collective Action, and Public Investment in Rural China" *American Political Science Review*.
 - Allen, Franklin, Jun Qian and Meijun Qian. 2005. "Law, Finance, and Economic Growth in China" *Journal of Financial Economics*, 77(1): 57-116.
 - * Tsai, Kellee. 2006. "Adaptive Informal Institutions and Endogenous Institutional Change in China" *World Politics*.
- Topic 6: Market Economy, Chinese Style
 - Oi, Jean. 1992. "Fiscal Reform and the Economic Foundation of Local State Corporatism in China" *World Politics*.
 - Shirk, Susan. 1993. "The Political Logic of Economic Reform in China" Chapter 9, "Playing to the Provinces: Fiscal Decentralization and Politics of Reform"
 - Pearson, Margaret. 2005. "The Business of Governing Business in China" *World Politics*, 57(2): 296-322.
 - Song Zheng, Kjetil Storesletten, and Fabrizio Zilibotti. 2011. "Growing like China," *American Economic Review*, 101, 196-233.
 - Loren Brandt, Changtai Hsieh, Xiaodong Zhu, "Growth and Structural Transformation in China", in *China's Great Economic Transformation* (edited by

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Loren Brandt and Thomas G. Rawski, Cambridge University Press, New York, 2008, 683-728.

- Heilmann, Sebastian. 2008. "Policy Experimentation in China's Economic Rise" *Studies in Comparative International Development* 43(1). READ
- ~~Brandt L, CT Hsieh, and X Zhu. 2010. "Growth and Structural Transformation in China"~~

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- Topic 7: SOE and Private Firms

- - Li, Chen (2016). "Holding 'China Inc.' Together: The CCP and the Rise of China's Yangqi", *The China Quarterly*.
- Hsieh, C. and Z. Song. 2015. Grasp the Large, Let Go of the Small: The Transformation of the State Sector in China. Brookings Papers on Economic Activity, Spring 2015, pp. 295-366.
- ~~Hsieh, Chang-Tai and Zheng Song. 2015. "Grasp the Large and Let Go of the Small: The Transformation of the State Sector in China". *NBER Working Paper No. 21006*.~~
- ~~Hsieh, Chang-Tai and Peter, Klenow. 2009. "Misallocation and Manufacturing TFP in China and India". *The Quarterly Journal of Economics*, 124(4): 1403-1448.~~

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- Topic 8: Financial Market and Shadow Banking

- Shih, Victor. 2004. "Dealing with non-performing loans: Political constraints and financial policies in China" *The China Quarterly*. 180: 922-944.
- Shih, Victor. 2004. "Factions matters: personal networks and the distribution of bank loans in China" *JC* 13(38):3-19
- Tsai, Kellee. 2015. "The Political Economy of State Capitalism and Shadow Banking in China. *Issues & Studies* 51(1):55-97.
- Introduction to the Chinese financial system (Banking System, Stock Market)
- Allen, William and Han Shen. 2011. "Assessing China's Top-Down Securities Markets" *NBER Working Paper No. 16713*.
- Allen, Franklin, Jun Qian, Susan Shan, and Julie Lei Zhu. 2014. "The best performing economy with the worst performing market: Explaining the Poor Performance of the Chinese Stock Market"
- Elliott, D., A. Kroeber, and Y. Qiao. 2015. Shadow Banking in China: A Primer. Brookings Economic Studies.
- Hachem K and Zheng Song. 2017. Liquidity Regulation and Unintended Financial Transformation in China. Working Paper.
- Acharya, V., J. Qian, and Z. Yang. 2016. In the Shadow of Banks: Wealth Management Products and Issuing Banks' Risk in China.
- Chen, Z., Z. He, and C. Liu. 2016. The Financing of Local Government in China: Stimulus Loan Wanes and Shadow Banking Waxes.
- Wang, H., H. Wang, L. Wang, and H. Zhou. 2016. Shadow Banking: China's Dual-Track Interest Rate Liberalization.

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Shadow Banking:

○ ~~Hachem K and Zheng Song, 2015, "The Rise of China's Shadow Banking System"~~

○ ~~Acharya, Qian and Yang (2016)~~

○ ~~Chen, He and Liu (2017)~~

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• Topic 9: Innovation

- ~~Wei, Shang-Jin, Zhuan Xie and Xiaobo Zhang. 2017. From "Made in China" to "Innovated in China." Necessity, Prospect, and Challenges. Journal of Economic Perspectives. 31(1): 49-70.~~

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- ~~He, Hui, Jing Fang, and Nan Li. 2016. "China's Rising IQ (Innovation Quotient) and Growth: Firm-level Evidence." IMF WP 16/249~~

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- Jonas Nahm. 2017 (Forthcoming). "Exploiting the Implementation Gap: Policy Divergence and Industrial Upgrading in China's Wind and Solar Sectors." *The China Quarterly*.

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- Jonas Nahm and Edward S. Steinfeld. 2014. "Scale-Up Nation: China's Specialization in Innovative Manufacturing." *World Development* 54: 288-300.

- Brandt, L and E. THUN. 2010. The fight for the middle: upgrading, competition, and industrial development in China. *World Development*.

• Topic 10: Housing Market

- Fang Hanming, Quanlin Gu, Xiong Wei and Li-An Zhou. 2015. "Demystifying the Chinese Housing Boom" *NBER Macroeconomics Annual* 30(1).

- Chen, Kaiji and Yi Wen. 2017. "The Great Housing Boom of China" *American Economic Journal: Macroeconomics*, 9(2): 73-114.

• Topic 11: Globalization: WTO; Global Integration

- Autor, David, D Dorn and G. Hansen. 2016. "The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade" *Annual Review of Economics*: 8: 205-40.

- Ling Chen. 2017. "Grounded Globalization: Foreign Capital and Local Bureaucrats in China's Economic Transformation" *World Development*. 98:381-399.

- Adolph Christopher, Vanessa Quince and Aseem Prakash. "The Shanghai Effect: Do Exports to China Affect Labor Practices in Africa?" *World Development* 89 1-18.

~~?? Wei et al.~~

- ~~?? Hiau Looi Kee and Heiwai, Tang. 2016. "Domestic Value Added in Exports: Theory and Firm Evidence from China" *American Economic Review* 106(6): 1402-36.~~

- * Wei, Shang-Jin. 2000. "How Taxing is Corruption on International Investors" *Review of Economics and Statistics*, 82: 1-11.

• Topic 12: One Child Policy and its Aftermath

- Tyrene White, "Domination, Resistance and Accommodation in China's One-Child Campaign," In Perry and Seldon, eds., *Chinese Society: Change, Conflict and Resistance*, 2nd ed. (London: Routledge, 2003), Ch.8.
- M. Giovanna Merli, Zhenchao Qian, and Herbert L. Smith, "Adaptation of a Political Bureaucracy to Economic and Institutional Change under Socialism: The Chinese State Family Planning System," *Politics and Society*, 32(2), 2004: 231-256.
- Wei, Shang-Jin and Xiaobo Zhang. 2011. "The competitive Saving Motive: Evidence from Rising Sex Ratios and Savings Rates in China" *Journal of Political Economy*: 119(3):511-564.
- Cameron, Lisa, Nisvan Erkal, Lata Gangadharan, and Xin Meng. 2012. "Little Emperors: Behavioral Impacts of China's One-Child Policy." *Science*, Vol. 339, No. 6122: 953-957.
- Edlund, Lena, Hongbin Li, Junjian Yi, and Junsen Zhang. 2013. "Sex Ratios and Crime: Evidence from China," *Review of Economics and Statistics*.

• Topic 14: The Environment

- Economy, Elizabeth. 2007. "The Great Leap Backward? The Costs of China's Environmental Crisis" *Foreign Affairs*: 38-59.
- Zhang, Junjie. 2012. "Delivering Environmentally Sustainable Economic Growth: The Case of China (<https://goo.gl/3r5cKq>)
- Alkon, Meir and Erik H. Wang. 2017. "Pollution Lowers Support for China's Regime: Quasi-Experimental Evidence from Beijing" *Journal of Politics*.
- Chen, Yuyu, Ebenstein, Greenstone and Li. 2013. "Evidence on the Impact of Sustained Exposure to Air Pollution on Life Expectancy from China's Huai River Policy" *PNAS* 110 (32).
- Ebenstein et al. 2018. "New Evidence on the Impact of Sustained Exposure to Air Pollution on Life Expectancy from China's Huai River Policy" *PNAS* 114(39).
- * Deng, Yanhua and Guobin Yang. "Pollution and Protest in China: Environmental Mobilization in Context" *The China Quarterly* 214 (June 2013):321-36.

• Topic 15: Inequality

- Yu Xie and Xiang Zhou. 2014. "Income Inequality in Today's China" *PNAS*.
- Kanbur, Ravi and Xiaobo Zhang. 2005. "Fifty Years of Regional Inequality in China: A Journey through Central Planning, Reform, and Openness." *Review of Development Economics*.
- Ding, Haiyan and Hui He. 2017. "A Tale of Transition: An Empirical Analysis of Economic Inequality in Urban China, 1986-2009."
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