

ECON0601

# **Economic Development of China**

Spring 2004

*Dr. XIAO Geng*

Lecture hours: 4:00-4:50pm Monday; 3:00-4:50pm Friday

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## **Course Description:**

This course provides an analytical study of economic development and reform in China since 1949. Applying basic economic principles, including economics of institutions, it introduces first China's experiments of socialist economic development and central planning during 1949-1978 and then examines China's economic opening and market-oriented reforms since 1978.

## **Course Work and Grading:**

There will be no written final exam. The grading will be based on the following weighting:

- **Participation in course activities (20%)**
- **Mid-term test (30%)**
- **Presentation (20%)**

Students are required to make a thirty-minute group presentation of one assigned paper selected from the book China in the World Economy: An OECD Economic and Statistical Survey at the lecture meetings. The size of the presentation group should be between 2 to 4. Before the presentation, the group should prepare a summary of the assigned paper for the class, which should cover key stylized facts presented in the paper, key points and arguments of the paper, the paper's relation to institutional changes in China, the paper's relation to structural changes in China, key policy implications of the paper. The group should also prepare a PowerPoint Presentation file of about 20 pages.
- **Comments on presentation (10%)**

After each group presentation, members of a separate presentation group will be assigned to comment or discuss the presentation. The discussants should limit their comments to about five minutes and should write up their individual comments afterwards. The written comments should be limited to less than 1000 words and should be submitted for evaluation one week after the presentation.
- **Term paper (20%)**

Each student is required to submit a term paper on or before 30 April 2003. The topic of the term paper should be related to the topic of the group presentation. The main text of the term paper should not exceed 3000 words, excluding tables and references. Term papers will be put on the course website for review by classmates.

## **Textbook:**

Yabuki, Susumu and Harner, Stephen M. China's New Political Economy. Revised Edition, Boulder, C.O.: Westview Press, 1999.

OECD. China in the World Economy: An OECD Economic and Statistical Survey, London: Kogan Page, 2003.

## **Reference books:**

Xiao, Geng. The Chinese Economy: Study Units. The Open University of Hong Kong, 1997.

Kasper, Wolfgang and Streit, Manfred E. Institutional Economics: Social Order and Public Policy, Cheltenham, UK: Edward Elgar, 1999.

Werin, Lars. Economic Behavior and Legal Institutions: An Introductory Survey, Singapore: World Scientific, 2003.

China National Bureau of Statistics. China Statistical Abstract 2003 or China Statistical Yearbook 2003, Beijing: China Statistics Press, 2003.

Garnaut, Ross and Huang, Yiping. Growth without Miracles: Readings on the Chinese Economy in the Era of Reform, New York: Oxford University, 2000.

## **Additional readings by Dr. Geng Xiao**

### **On property rights and China's economic reform**

- [“Truncated Property Rights and the Difficulty of China's State-Run Enterprise Reform.”](#) Proceedings of the Fourth Economic Symposium of Chinese Young Economists held in the University of California at Berkeley, July 15-16, 1988.
- [“Economics of Property Rights: from Coase Theorem to Truncated Property Rights in Socialist Economies.”](#) Research note, University of Hong Kong, 1992.
- [“Understanding China's transition to a modern contractual economy.”](#) Presented at the Hong Kong Economic Association and the Open Learning Institute of Hong Kong International Conference Greater China: Prospects and Problems, Hong Kong, 25-26 January 1997.
- [“What Is Special about China's Economic Reforms?”](#) Research Paper Series, No. 23, Socialist Economies Reform Unit, The World Bank, November 1991.
- [“Property Rights and Economic Transition Revisited: The Case of China.”](#) Co-authored with Andrew Sheng, Presented at the Western Economic Association International 71st Annual conference on the Role of Knowledge in the Modern Global Economy, San Francisco, June 28-July 2, 1996.

### **On enterprise reform**

- “[Property Rights Arrangements and Industrial Productivity in China.](#)” Research Paper Series, No. 21, Socialist Economies Reform Unit, The World Bank, September 1991.
- “[Property Rights and State-Owned Enterprise Reform in China.](#)” Presented at Program of Seminars, Annual Meetings of The World Bank Group & International Monetary Fund, Hong Kong, 20-23 September 1997.
- “[Reforming the Governance Structure of China’s State Owned Enterprises.](#)” Public Administration and Development (UK), 18(3), pp. 273-280, 1998.
- “[The Role of Firm Ownership in Transitional Economies: Recent Evidences from China.](#)” Presented at the Third Annual Conference of the International Society for New Institutional Economics, Washington, D.C., 16-18 September 1999.

### **On macro and financial sector reform**

- “[China in the Context of the Asian Financial Crisis.](#)” Co-authored with Z. Fang. China Review 1999, Hong Kong: The Chinese University Press, pp. 165-178, 1999.
- “[Comments on Fan Gang's paper on 'China's Non-Performing Loans and National Comprehensive Liability'.](#)” Asian Economic Papers (MIT Press), No.1, Volume 2, pp. 153-155, 2003.
- “[Comments on Hu Angang’s paper on 'Macroeconomic policy and employment promotion in China'.](#)” Forthcoming in Asian Economic Papers (MIT Press).
- “[Securities market development in China: lessons from Hong Kong and other Aisan markets.](#)” 21st Century Business Herald (China), 23 January 2003.
- “[Japan's Economic Deflation.](#)” Research note, University of Hong Kong, April 2002.

### **On foreign trade and investment in China**

- “[WTO and China’s Economic Transformation: Institutional Perspectives and Policy Options.](#)” Co-authored with Zhou Fang, China Review 2000, Hong Kong: The Chinese University Press, pp. 209-222, 2000.
- “[Global Capital Flows and the Position of China.](#)” Co-authored with Y.R. Cheong, forthcoming, in a conference book by Forum on Debt and Development (FONDAD).
- “[China and the Asia Team of Flying Geese.](#)” Keynote speech at RHB-Asia Money Forum on Managing volatility in a Riskier World, Putrajaya, Malaysia, 17 July 2003.
- “[Life after WTO for China and Asia.](#)” Presented at the Chinese Academy of Social Sciences International Conference on WTO and Regional Economic Relations in Asia, Beijing, 26 October 2002.
- “[What Is Special about HKSAR.](#)” Presentation at Hong Kong Airport Authority, 19 April 2002.
- “[The Future of Hong Kong.](#)” Research note, University of Hong Kong, November 2000.

## **Tentative schedule on topics or “papers” to be discussed in the lecture**

- 19 Jan Monday: Introduction
- 30 Jan Friday: Economics of institutions and institutional change
- 2 Feb Monday: Overview of China’s economic heritage, political economy and reform
- 6 Feb Friday: China’s socialist economic experiments from 1949 to 1978
- 9 Feb Monday: China’s rural and agricultural reform and development
- 13 Feb Friday: China’s urban and industrial reform and development
- 16 Feb Monday: China’s reform and development in foreign trade and investment
- 20 Feb Friday: China’s reform and development in financial sector
- 23 Feb Monday: Diversity of economic growth and development in China
- 27 Feb Friday: “Agricultural prospects and policies” & “Rural industries”
- 1 March Monday: “Implications for the rural economy”
- 5 March Friday: “Industry prospects” & “Industrial reorganization and restructuring”
- 8 March Monday: “Technology challenges for China’s industries”
- 12 March Friday: “Establishing effective governance for China’s enterprises” & “Foreign direct investment”
- 22 March Monday: “Labor market and social benefit policies”
- 26 March Friday: “China’s regional development” & “Environmental priorities for China’s sustainable development”
- 29 March Monday: “Regulatory reform in China”
- 2 April Friday: “Role of competition law and policy” & “Developing the financial system”
- 16 April Friday: “Challenges to China’s banking industry” & “Development of China’s insurance industry”
- 19 April Monday: “Development of China’s capital markets”
- 23 April Friday: “The current tax system and priorities for reform” & “Central-local government fiscal relations”
- 26 April Monday: “Macroeconomic policy priorities”
- 30 April Friday: Mid-term test