

# IR 340: The Political Economy of China

University of Southern California  
Spring 2018

Instructor: Erin Baggott Carter  
Office: VKC 355  
Email: [baggott@usc.edu](mailto:baggott@usc.edu)

Course meetings: TuTh 3:30pm–5pm  
Location: TBD  
Course website: [blackboard.usc.edu](http://blackboard.usc.edu)  
Office hours: Tuesdays 5-6pm

Version: February 19, 2018

## Description

This course surveys the political economy of China. It begins with China's political institutions and its economic history from pre-revolutionary times to the present. It then explores China's rural and urban economies, private sector, local governments, income inequality, social welfare provision, and macroeconomic planning. It next turns to China's international trade and foreign investment. It concludes with a review of China's demographic trends and environmental issues. Throughout the course, we will focus on the changing role of state-society relations. To what degree has political reform accompanied economic reform? Is the state increasingly accountable to citizens? Or has China become trapped in a partial reform equilibrium in which elite interests impede further liberalization? An introductory economics course is a helpful, but not required, precursor to this course.

## Requirements

The course has six requirements. They are enumerated for simplicity:

1. Participation, 10%
2. Quiz, 10%
3. Crisis simulation, 10%
4. Midterm, 20%
5. Final, 25%
6. Presentation, 25%

First, students are expected to have read all assigned materials prior to class and contribute substantially to class discussions. Weekly reading assignments will average roughly 150 pages and will be available via Blackboard. This will constitute 10% of final grades. The instructor reserves

the right to calculate class participation through performance on pop quizzes, if necessary. Second, a quiz on regional geography will be given on Thursday, January 25, which will constitute 10% of final grades.

Third, students will participate in an economic crisis simulation on Thursday, April 5. Students will be assigned to parties involved in the crisis and will prepare a three-minute presentation and a one-page memorandum on their party's position. They will then attempt to resolve the crisis during the emergency policy meeting convened during class. This will constitute 10% of final grades.

Finally, students will complete midterm and final exams; they constitute 20% and 25% of final grades, respectively. The exams will require students to skillfully synthesize the course's themes and draw on relevant scholarship. The midterm will be administered in class on Thursday, March 8; the final exam will be scheduled later.

The final course requirement is a presentation during the final week of class, which will constitute 25% of final grades. Working in groups, students will give 15 minute "briefings" to the class. These "briefings" should introduce the class to pressing issues in China's political economy, and may focus upon any topic that, due to time constraints, I have neglected during previous weeks. Student groups will meet with me prior to Week 8 to discuss preliminary ideas. Possible topics include China's engagement with Latin America or its policies on rare earth exports, among countless others.

## **Technology Policy**

Please make sure that your cell phones are silenced and put away before class starts. I leave it to students to decide whether they will use laptops to take notes. Before making this decision please consult recent research that shows that students take better notes by hand<sup>1</sup> and learn less, both individually and collectively, when laptops are in the classroom.<sup>2</sup>

## **Statement on Academic Conduct and Support**

Plagiarism – presenting someone else's ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Section 11, Behavior Violating University Standards.<sup>3</sup> Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct.<sup>4</sup> If you engage in plagiarism or any other form of academic misconduct, you will fail the course. If you aid someone else's misconduct, you will fail the course.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the Office of Equity and Diversity<sup>5</sup> or to the Department of

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<sup>1</sup><http://pss.sagepub.com/content/25/6/1159>

<sup>2</sup><http://www.sciencedirect.com/science/article/pii/S0360131512002254?np=y>

<sup>3</sup><https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions>

<sup>4</sup><http://policy.usc.edu/scientific-misconduct>

<sup>5</sup><http://equity.usc.edu>

Public Safety.<sup>6</sup> This is important for the safety of the whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report, or can initiate the report on behalf of another person. The Center for Women and Men<sup>7</sup> provides 24/7 confidential support, and the sexual assault resource center webpage<sup>8</sup> describes reporting options and other resources.

A number of USC's schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the American Language Institute,<sup>9</sup> which sponsors courses and workshops specifically for international graduate students. The Office of Disability Services and Programs<sup>10</sup> provides certification for students with disabilities and helps arrange the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, USC Emergency Information<sup>11</sup> will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.

Students requesting academic accommodations based on disability are required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP when adequate documentation is filed. Please be sure the letter is delivered to me as early in the semester as possible. DSP is open Monday-Friday, 8:30am–5:00pm. The office is in Student Union 301 and their phone number is 213.740.0776.

### **Required for Purchase**

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press.

Yasheng Huang (2008). *Capitalism with Chinese Characteristics: Entrepreneurship and the State*. Cambridge: Cambridge University Press.

### **Recommended Reference Works**

Students who seek additional background on Chinese history or politics would do well to start here.

Kenneth Lieberthal (1995). *Governing China*. New York: W.W. Norton. Most recent version. [This textbook is an excellent introduction to China's government.]

Jonathan Spence (2001). *The Search for Modern China*. New York: WW Norton. [This is a superb history of modern China.]

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<sup>6</sup><http://adminopsnet.usc.edu/department/department-public-safety>

<sup>7</sup><http://www.usc.edu/student-affairs/cwm/>

<sup>8</sup><http://sarc.usc.edu>

<sup>9</sup><http://dornsife.usc.edu/ali>

<sup>10</sup>[http://sait.usc.edu/academicssupport/centerprograms/dsp/home\\_index.html](http://sait.usc.edu/academicssupport/centerprograms/dsp/home_index.html)

<sup>11</sup><http://emergency.usc.edu>

## **Lecture 1: Introduction and Course Overview**

Date: Tuesday, January 9

The introductory lecture provides an overview of the course.

## **Lecture 2: Political Institutions of China**

Date: Thursday, January 11

This lecture introduces Chinese political and economic institutions. Which institutions enable policy generation and execution? Has authority over policymaking become fragmented over time? More broadly, what is an institution and why is it important for economic growth?

Susan V. Lawrence and Michael F. Martin (2013). "Understanding China's Political System." Congressional Research Service Report, March.

Chenggang Xu (2011). "The Fundamental Institutions of China's Reforms and Development." *Journal of Economic Literature* 49(4): 1076-1151.

Douglas North (1991). "Institutions." *Journal of Economic Perspectives* 51(1): 97-112.

## **Lecture 3: Economic History of the Pre-Revolutionary Era and Mao's Communism**

Date: Tuesday, January 16

This lecture describes the economic history of China during the pre-Revolutionary era and the Mao era. What role does geography play in China's economic development? What are China's factor endowments? Why did the Cultural Revolution and the Great Leap Forward claim so much economic output and so many lives?

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: Cambridge University Press, 15-82.

Frank Dikotter (2008). *The Age of Openness: China before Mao*. Berkeley: University of California Press, 81-98, 99-102.

James Kai-sing Kung and Shuo Chen (2011). "The Tragedy of the Nomenklatura: Career Incentives and Political Radicalism during China's Great Leap Famine." *American Political Science Review* 105: 27-45.

## **Lecture 4: Economic Reform under Deng**

Date: Thursday, January 18

This lecture introduces Deng's economic liberalization policies. Who benefited from economic reform? How did the development of private property rights in China differ from that in England?

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 85-110.

Yasheng Huang (2008). *Capitalism with Chinese Characteristics: Entrepreneurship and the State*. Cambridge: Cambridge University Press, ix-xviii, 50-108.

Douglas North and Barry Weingast (1989). "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England." *The Journal of Economic History* 49(4): 803-832.

## **Lecture 5: Contemporary Economic Policies**

Date: Tuesday, January 23

This lecture reviews the economic policies pursued by Jiang, Hu, and Xi. How have development priorities changed with each leader? Were Chinese economic policies in this period captured by elites, as in the post-Soviet states? Does China today exist in a partial reform equilibrium?

Yasheng Huang (2008). *Capitalism with Chinese Characteristics: Entrepreneurship and the State*. Cambridge: Cambridge University Press, ix-xviii, 109-174.

Victor Shih (2007). "Partial Reform Equilibrium, Chinese Style: Political Incentives and Reform Stagnation in Chinese Financial Policies." *Comparative Political Studies* 40(10): 1238-1262.

Bill Browder (2015). *Red Notice: A True Story of High Finance, Murder, and One Man's Fight for Justice*. Simon & Schuster. Ch 6-7 required, Ch 4-5 provided for context.

## **Quiz**

Date: Thursday, January 25

## **Lecture 6: Leadership Selection, Incentives in the Party-State, and Returns to Office**

Date: Tuesday, January 30

This lecture explores how cadres get ahead in the communist party. How do incentives for advancement affect economic outcomes?

Daron Acemoglu and James Robinson (2006). "Economic Backwardness in Political Perspective." *American Political Science Review* 100(1).

Richard MacGregor (2010). *The Party: The Secret World of China's Communist Rulers*. Harper. Chapter 1.

Victor Shih, Christopher Adolph, and Mingxing Liu (2012). "Getting Ahead in the Communist Party: Explaining the Advancement of Central Committee Members in China." *American Political Science Review* 106(1): 166-187.

Rory Truex (2014). "The Returns to Office in a 'Rubber-Stamp' Parliament." *American Political Science Review* 108(2): 235-251.

## **Lecture 7: The Rural Economy**

Date: Thursday, February 1

This lecture introduces the rural economy.

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 229-293.

## **Lecture 8: The Urban Economy**

Date: Tuesday, February 6

This lecture introduces China's urban economy.

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 295-326.

## **Lecture 9: The Private Sector and Entrepreneurs**

Date: Thursday, February 8

This lecture introduces the private sector and entrepreneurship in China.

Richard MacGregor (2010). *The Party: The Secret World of China's Communist Rulers*. HarperCollins, 34-69.

Scott Kennedy (2011). "Fragmented Influence: Business Lobbying in China." In Kennedy, ed., *Beyond the Middle Kingdom: Comparative Perspectives on China's Capitalist Transformation*. Stanford University Press.

## **Lecture 10: Local Governments and Civil Society**

Date: Thursday, February 15

This lecture focuses on the role of China's local governments in setting and executing economic development policies.

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. MIT Press. Chapter 16.

Susan H. Whiting (2004). "The Cadre Evaluation System at the Grassroots: The Paradox of Party Rule." in Barry Naughton and Dali Yang, eds., *Holding China Together*. New York: Cambridge University Press.

Thornton, Patricia M. (2013). "The Advance of the Party: Transformation or takeover of Urban Grassroots Society?" *The China Quarterly* 213: 1-18.

## **Lecture 11: Migrant Workers**

Date: Tuesday, February 20

This lecture focuses on the state of migrant workers in China.

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 114-135.

Fan Yusu (2017). "I am Fan Yusu." *China Digital Times*.

## **Lecture 12: Income Inequality**

Date: Thursday, February 22

This lecture reviews income inequality in China. Does China have a Kuznets Curve? What does the Elephant Curve mean for China? What are the economic origins of dictatorship and democracy, and can those factors explain China's politics since 1949?

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 209-227.

Daron Acemoglu and James Robinson (2002). "The Political Economy of the Kuznets Curve." *Review of Development Economics* 6(2): 183-203.

Daron Acemoglu and James Robinson (2009). *Economic Origins of Dictatorship and Democracy*. 15-47.

## **Lecture 13: Official Statistics**

Date: Tuesday, February 27

This lecture reviews the credibility of China's official statistics in various areas.

Jeremy L. Wallace (2014). "Juking the Stats? Authoritarian Information Problems in China." *British Journal of Political Science* 46: 11-29.

Jie Gao (2016). "'Bypass the Lying Mouths': How Does the CCP Tackle Information Distortion at Local Levels?" *China Quarterly*: 950-969.

## **Lecture 14: Social and Political Contestation**

Date: Thursday, March 1

This lecture introduces class issues in contemporary China.

Elizabeth Perry (2008). "Chinese Conceptions of 'Rights': From Mencius to Mao – and Now." *Perspectives on Politics* 6(1): 37-50.

Lianjiang Li (2010). "Rights Consciousness and Rules Consciousness." *The China Journal* 64.

Leta Hong Fincher (2016). "China's Feminist Five." *Dissent Magazine*.

## **Lecture 15: Q&A Session on First Half of Course**

Date: Tuesday, March 6

This lecture will take the form of a Q&A session in advance of the midterm.

## **Midterm Exam**

Date: Thursday, March 8

## **Spring Break**

## **Lecture 16: The Financial System**

Date: Tuesday, March 20

This lecture introduces China's financial system.

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 449-481.

Erin Baggott Carter (2016). "Diversionary Aggression and Elite Welfare Shocks in Autocracies: Evidence from China." Manuscript.

Victor Shih (2008). *Factions and Finance in China: Elite Conflict and Inflation*. Chapter 4: 47-63.

## **Lecture 17: The Housing Market**

Date: Thursday, March 22

This lecture reviews data on China's housing market. To what extent does a real estate bubble threaten China's economic development?

Yongheng Deng, Randall Morck, Jing Wu, Bernard Yeung (2011). "Monetary and Fiscal Stimuli, Ownership Structure, and China's Housing Market." NBER working paper.

## **Lecture 18: International Trade**

Date: Tuesday, March 27

This lecture reviews evidence on China's international trade.

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 377-399.

Peterson Institute for International Economics (2009). "Evolution of China's Exchange Rate Regime in the Reform Era." In *The Future of China's Exchange Rate Policy*.



## **Lecture 19: Inward FDI**

Date: Thursday, March 29

This lecture reviews the contributions of inward FDI to China's economic development.

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 401-423.

Yasheng Huang (2015). "China's Inbound and Outbound Foreign Direct Investment." In Gregory C. Chow and Dwight H. Perkins, eds., *Routledge Handbook of the Chinese Economy*. New York: Routledge.

## **No Class: Simulation Preparation**

Date: Tuesday, April 3

### **Crisis Simulation**

Date: Thursday, April 5

In this class, students will participate in an international crisis simulation. The crisis scenario will be announced in lecture on March 30; students will be assigned to countries then. In lieu of reading assignments for April 4, students will meet before class to write a one page brief on their country's position on the crisis. In class on April 6, groups will present their nation's position in a 3-minute statement. Groups will employ the rest of the emergency meeting to attempt to resolve the crisis through official and unofficial channels.

## **Lecture 20: Outward FDI**

Date: Tuesday, April 10

This lecture reviews data on China's outward FDI flows.

William J. Norris (2016). *Chinese Economic Statecraft*. Chapter 4 (on China National Petroleum Corporation in Sudan) and Chapter 6 (on coercive leverage across the Taiwan Strait).

## **Lecture 21: Demographics, the One Child Policy, and Human Capital**

Date: Thursday, April 12

This class reviews China's demographic trends.

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 161-206.

*Recommended, not required:* L. Cameron, N. Erkal, L. Gandadharan, and X. Meng (2013). "Little Emperors: Behavioral Impacts of China's One-Child Policy." *Science* 953-957.

*Recommended, not required:* Nancy Qian (2009). "Quantity-Quality and the One Child Policy: The Only-Child Disadvantage in School Enrollment in China." NBER Working Paper 14973, May.

## **Lecture 22: The Environment and Energy**

Date: Tuesday, April 17

This class reviews issues in China's environmental and energy situation.

Barry Naughton (2007). *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press, 487-503.

Elizabeth C. Economy (2007). "The Great Leap Backward? The Costs of China's Environmental Crisis." *Foreign Affairs* 86(5), 38-59.

## **Lecture 23: Conclusion**

Date: Thursday, April 19

This lecture offers concluding remarks.

Dani Rodrik (2014). "The Past, Present, and Future of Economic Growth." *Challenge* 57(3), 5-39.

Jane Haltmaier (2013). "Challenges for the Future of Chinese Economic Growth." US Federal Reserve, International Finance Discussion Paper, January.

## **Lecture 24, 25: Student Presentations**

Date: Tuesday, April 24 and Thursday, April 26