

THE POLITICAL ECONOMY OF TRANSITION IN CHINA

East Asian Studies 105, Spring 2013
Mondays 2:00-4:00 p.m., Divinity Ave. 2-214

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In the process of transition from a centrally planned economy to a market economy, China has pursued a unique course of development to become the world's second-largest economy behind the United States. The domestic politics that produced such rapid economic growth exhibit no comparable liberalization, however: China remains under authoritarian control by the communist party. This course provides an overview of the political economy of transition in China. It begins with an introduction of the nature of communism, an important point of departure to understand the tasks and obstacles of transition. The bulk of the material examines China's development strategies during the reform era, focusing on industrial sector, fiscal, and land reforms. Finally, it addresses the politics of China's transition, with detailed discussion on grassroots elections, public goods provision, and prospects of democratization. By the end of this course students will be familiar with China's transition process and be able to consider more broadly how China's reform experience advances our theoretical understanding of transition.

Class meetings will be a combination of lecture and discussion. This course is primarily designed for students interested in the political economy of transition and developing countries. Students specializing in regions other than China are welcome. Students may take this course without prerequisites, however, previous background in the study of political economy or modern China will be very helpful.

READING MATERIALS

Under each topic below are required readings, including journal articles and book chapters. All required readings are available on the course website. Students with little background may wish to read the following books as preparation.

- Lieberthal, Kenneth, 2004. *Governing China: From Revolution through Reform*, 2nd edition, New York: Norton.
- Naughton, Barry. 2007. *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press.

REQUIREMENTS AND EVALUATION

There will be three primary assignments for the course:

- (20%) Class participation and weekly postings. I expect you to have read and considered thoughtfully before class. I also expect you to attend class regularly and participate actively in class discussion. In addition, you are required to post a few informed discussion questions or comments or both (limited to half page) on the course website. Weekly postings are due noon on Sundays.

- (20%) Response paper and discussion leading. At our first meeting, I will ask you to choose one topic from those below. You will write a response paper and lead the seminar discussion of your topic.
 - (10%) A maximum five-page response paper addressing the required readings of your topic. Your paper should: (1) briefly summarize the arguments and discuss differences across scholars, and (2) provide your own assessment of the work. The paper is due noon on Sunday.
 - (10%) Seminar discussion leadership. You are expected to read all discussion questions submitted online, organize them, and lead the discussion. In preparation for leading the discussion, you can consult with the instructor.
- (60%) Research paper. You will write a research-based analytical paper on a topic chosen in consultation with the instructor. The assignment will be broken down into two stages:
 - (10%) A maximum five-page proposal outlining your topic, literature, and preliminary evidence. The proposal is due noon on Friday, April 26.
 - (50%) A maximum twenty-page final paper, which can incorporate text from your proposal. The final paper is due noon on Thursday, May 9 in my mailbox in CGIS.

Deadlines will be firm. Late papers turned in without an extension will be penalized one 1/3 of a grade for every day late.

TOPICS AND READING MATERIALS

January 28: Introduction

February 4: The Nature of Communism

- Kornai, Janos. 1992. *The Socialist System: The Political Economy of Communism*. Princeton: Princeton University Press. Chapters 3, 4, 5, 6.1-6.5, 7.1-7.3, 8.4-8.9, 9.1-9.5, 11.1-11.3, 11.5, 12.1-12.3.

February 11: Rural Reform and Industrialization

- Naughton, Barry. 1994. "Chinese Institutional Innovation and Privatization from Below." *American Economic Review*, vol. 84, no. 2: 266-270.
- Oi, Jean C. 1992. "Fiscal Reform and the Economic Foundations of Local State Corporatism." *World Politics*, vol. 45, no. 1: 99-126.
- Liu, Yia-Ling. 1992. "Reform from Below: The Private Economy and Local Politics in the Rural Industrialization of Wenzhou." *China Quarterly*, no. 130: 293-316.
- Whiting, Susan H. 1999. "The Regional Evolution of Ownership Forms: Shareholding Cooperatives and Rural Industry in Shanghai and Wenzhou." In *Property Rights and Economic Reform in China*, eds. Jean Co and Andrew Walder, 171-200. Stanford: Stanford University Press.
- Li, Hongbin and Scott Rozelle. 2003. "Privatizing Rural China: Insider Privatization, Innovative Contracts and the Performance of Township Enterprises." *China Quarterly*, no. 176: 981-1005.

February 18: President's Day

February 25: State-owned Enterprise and Foreign-invested Enterprises

- Oi, Jean and Chaohua Han. 2011. "China's Corporate Restructuring." In *Going Private in China: The Politics of Corporate Restructuring and System Reform*, ed. Jean Oi, 19-38. Stanford: Walter H Shorenstein Asia-Pacific Research Center Books.
- Garnaut, Ross, Ligang Song, and Yang Yao. 2006. "Impact and Significance of State-Owned Enterprise Restructuring in China." *China Journal*, no. 55: 35-63.
- Pearson, Margaret. 2005. "The Business of Governing Business in China: Institutions and Norms of the Emerging Regulatory State." *World Politics*, vol. 57, no. 2: 296-322.
- Huang, Yasheng. 2003. "One Country, Two Systems: Foreign-invested Enterprises and Domestic Firms in China." *China Economic Review*, vol. 14, no. 4: 404-416.
- Gallagher, Mary and Yue Ma. 2011. "FDI and Corporate Restructuring in China: Is the Medicine Worse than the Disease?" In *Going Private in China: The Politics of Corporate Restructuring and System Reform*, ed. Jean Oi, 135-174. Stanford: Walter H Shorenstein Asia-Pacific Research Center Books.

March 4: The Rise of the Private Sector

- Tsai, Kellee S. 2009. "The Local Logic of Informal Finance and Private Sector Development in China." In *Informal Finance in China: American and Chinese Perspectives*, eds. Jianjun Li and Sara Hsu, 80-103. Oxford: Oxford University Press.
- Tsai, Kellee S. 2005. "Capitalists without a Class: Political Diversity among Private Entrepreneurs in China." *Comparative Political Studies*, vol. 38, no. 9: 1130-1158.
- Tsai, Kellee S. 2006. "Adaptive Informal Institutions and Endogenous Institutional Change in China." *World Politics*, vol. 59, no. 1: 116-141.
- Dickson, Bruce J. 2008. *Wealth into Power: The Communist Party's Embrace of China's Private Sector*. Cambridge: Cambridge University Press. Chapter 2-3.

March 11: Institutional Foundation of Economic Growth

- Montinola, Gabriella, Yingyi Qian, and Barry R. Weingast. 1995. "Federalism, Chinese Style: The Political Basis for Economic Success in China." *World Politics*, vol. 48, no. 1: 50-81.
- Whiting, Susan. 2004. "The Cadre Evaluation System at the Grassroots." In *Holding China Together: Diversity and National Integration in the Post-Deng Era*, eds. Barry Naughton and Dali Yang, 101-119. Cambridge: Cambridge University Press.
- Li, Hongbin and Li-An Zhou. 2005. "Political Turnover and Economic Performance: The Incentive Role of Personnel Control in China." *Journal of Public Economics*, vol. 89, no. 9-10: 1743-1762.
- Cai, Hongbin and Daniel Treisman. 2006. "Did Government Decentralization Cause China's Economic Miracle?" *World Politics*, vol. 58, no. 4: 505-535.

March 18: Spring Recess

March 25: Taxation and Fiscal System

- Wang, Shaoguang. 1997. "China's 1994 Fiscal Reform: An Initial Assessment." *Asian Survey*, vol. 37, no. 9: 801-817.
- Wong, Christine and Richard Bird. 2008. "China's Fiscal System: A Work in Progress." In *China's Great Economic Transformation*, eds. Loren Brandt and Thomas G. Rawski, 429-466. Cambridge: Cambridge University Press.
- Bernstein, Thomas P. and Xiaobo Lu. 2000. "Taxation without Representation: Peasants, the Central and the Local States in Reform China." *China Quarterly*, no. 163: 742-763.
- Li, Linda. 2007. "Working for the Peasants? Strategic Interactions and Unintended Consequences in the Chinese Rural Tax Reform." *China Journal*, no. 57: 89-106.
- Wong, Christine. 2009. "Rebuilding Government for the 21st Century: Can China Incrementally Reform the Public Sector?" *China Quarterly*, no. 200: 929-952.

April 1: Land Reform

- Ho, Peter. 2001. "Who owns China's Land? Policies, Property Rights and Deliberate Institutional Ambiguity." *China Quarterly*, no. 166: 394-421.
- Ho, Samuel P.S. and George C.S. Lin. 2003. "Emerging Land Markets in Rural and Urban China: Policies and Practices." *China Quarterly*, no. 176: 681-707.
- Lin, George C.S. and Samuel P.S. Ho. 2005. "The State, Land System, and Land Development Processes in Contemporary China." *Annals of the Association of American Geographers*, vol. 92, no. 2: 411-436.
- Hsing, You-tien. 2006. "Land and Territorial Politics in Urban China." *China Quarterly*, no. 187: 575-91.

April 8: Elections and Representation

- O'Brien, Kevin and Lianjing Li. 2000. "Accommodating 'Democracy' in a One-Party State: Introducing Village Elections in China." *China Quarterly*, no. 162: 465-489.
- Li, Lianjiang. 2003. "The Empowering Effect of Village Elections in China." *Asian Survey*, vol. 43, no. 3: 648-662.
- Manion, Melanie. 2008. "When Communist Party Candidates Can Lose, Who Wins? Assessing the Role of Local People's Congresses in the Selection of Leaders in China." *China Quarterly*, no. 195: 607-630.
- Manion, Melanie. 2011. "Authoritarian Parochialism: Congressional Representation in China" Journal article manuscript.

April 15: Local Governance and Public Goods Provision

- Tsai, Lily. 2007. "Solidary Groups, Informal Accountability, and Local Public Goods Provision in Rural China." *American Political Science Review*, vol. 101, no. 2: 355-372.
- Wang, Shuna and Yao Yang. 2007. "Grassroots Democracy and Local Governance: Evidence from Rural China." *World Development*, vol. 35, no. 10: 1635-1649.
- Kung, James, Yongshun Cai and Xiulin Sun. 2009. "Rural Cadres and Governance in China: Incentive, Institution and Accountability." *China Journal*, no. 62: 61-77.
- Manion, Melanie. 2012. "The Selectorate Connection in Chinese Local Congresses." Manuscript.

April 22: Prospects of Democratization

- O'Brien, Kevin J. 1996. "Rightful Resistance." *World Politics*, vol. 49, no. 1: 31-55.
- Perry, Elizabeth J. 2009. "A New Rights Consciousness?" *Journal of Democracy*, vol. 20, no. 3: 17-20.
- Li, Lianjiang. 2010. "Rights Consciousness and Rules Consciousness in Contemporary China." *China Journal*, no. 64: 47-68.
- Nathan, Andrew. 2003. "Authoritarian Resilience: China's Changing of the Guard." *Journal of Democracy*, vol. 14, no. 1: 6-17.
- Pei, Minxin. 2012. "Is CCP Rule Fragile or Resilient?" *Journal of Democracy*, vol. 23, no. 1: 27-41.

April 29: Presentations of Research