

POLITICAL SCIENCE 339: STATE & MARKET IN CONTEMPORARY CHINA

Winter 2012

Class Day & Time: Monday & Wednesday, 8:30 – 10:00 AM

Classroom Location:

Professor Yuen Yuen Ang

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Office Hours: Monday, 10:30 – 11:30 AM or by appointment

Course overview

Market reforms since 1979 have transformed the Chinese economy dramatically, triggering far-reaching political and social consequences, both for China and the world. Once a deeply impoverished socialist country, today, it ranks as the world's second largest economy. On a per capita basis, however, China is still a developing country. The challenges of governance run deep and wide.

Contemporary China is defined by a paradox that forms the basis of this course: a communist party-state leads capitalist reforms. Thus, the role of the party-state is ubiquitous in Chinese economy. Local bureaucrats are heavily involved in the market, sometimes as promoters of growth and other times as obstacles. Economics in China is political and vice versa. Lines between “public vs. private” and “state vs. market” are blurred.

Centering on the theme of *state and market*, the course will introduce the timeline of China's transformation from socialism to the present day; structure of the Chinese communist party state; varying economic roles of government (developmental, predatory, corrupt); and the interaction between state and market actors.

PREREQUISITES

There are no prerequisites for this course. It focuses primarily on the reform period and domestic political economy.

Note: This is a course similar to PS389 which was taught in Winter 2012. Students who have taken PS389 should not repeat this course for credit.

REQUIRED TEXTS

Naughton, Barry. 2007. *The Chinese economy : transitions and growth*. Cambridge, Mass.: MIT Press.

Vogel, Ezra F. 2011. *Deng Xiaoping and the transformation of China*. Cambridge, Mass.: Belknap Press of Harvard University Press.

Huang, Shu-min. 1998. *The spiral road : change in a Chinese village through the eyes of a Communist Party leader*. 2nd ed. Boulder: Westview Press.

Recommended Books

Lieberthal, Kenneth. 1995. *Governing China : from revolution through reform*. 1st ed. New York: W.W. Norton.

Brandt, Loren, and Thomas G. Rawski. 2008. *China's great economic transformation*. Cambridge ; New York Cambridge University Press,.

Wong, Jan. 1996. *Red China blues : my long march from mao to now*. 1st Doubleday/Anchor Books ed. Toronto ; New York: Doubleday/Anchor Books.

Liao, Yiwu. 2008. *The corpse walker : real life stories, China from the bottom up*. 1st ed. New York: Pantheon Books.

All other assigned readings will be posted on Ctools. Journal articles can be searched and downloaded at UM Library website.

ASSIGNMENTS & GRADES

Attendance and Participation (20%)

You can only be excused for missing class this if you have a medical note from the doctor or official reason approved by the GSI or instructor. Other than that, there will be no exception.

- Attend speaker event (2%): The Center of Chinese Studies (CCS) invites a number of speakers to UM each semester. This is a terrific opportunity to learn first-hand from recent research on China. I encourage you attend as many of these events as possible. Each student is required to select an event and write a one-page response, posted on ctools, *within a week* (i.e. if the event took place on Monday, your response paper is due by next Monday at 5 pm). Late posts will not be graded. Your paper should summarize the speaker's arguments/findings in one paragraph, followed by your thoughts about them, e.g. what you've learned, whether you agree/disagree, etc. This will form 2% of your final grade (or 10% of participation grade). Two class meetings have been cancelled to accommodate your participation in these external events.

Review & Pop Quizzes (36%)

There will be two review quizzes, scheduled in advance, that each makes 12% of your final grade. In addition, we will hold unannounced pop quizzes in class, usually a list of 3-6 multiple choice questions or short written responses. We will *drop three* of each student's quizzes with the lowest grades, meaning, if you miss or don't do well on the pop quizzes for whatever reason, you are automatically excused three times. Combined, the pop quizzes will equal another 12% of your final grade.

Group Assignment: Promoting a County (22%)

There are three components to the assignment –

- **Part A (20%)**: You will form groups of 3-4 members each (no more than 4). Pick a county in China. We will suggest a list. Each group will assume the role of a county leadership and formulate a plan to attract investors and promote your local economy. Write a report presenting your plan. The word limit is 2,000 words (about 5 single spaced pages). More details on the content of your report and grading criteria will follow. Your report is due [date] PM. It is important to keep to the word limit. Attach word count at the end of your report. Violating the word count will disqualify your proposal for competition in Part B.
- **Part B (Bonus points)**: Based on your reports, we will pick the top 3 teams to participate in a mock competition on [date]. These teams will compete to convince the audience of the merits and feasibility of their plans. There will be 20 minutes of presentation, followed by 10 minutes of Q&A with the audience. The audience will vote for one winning county whose plan and presentation most impresses them. The team with most votes (#1) will receive a 12% bonus. Meaning if your final score on the written proposal were 85/100, and you were Team#1, you will receive 10.2 bonus points, and hence 95.2/100 is the adjusted final score. Team#2 will receive a 6% bonus, and Team#3 3% bonus.

- Part C (2%): All audiences must submit their votes and submit one or two paragraphs explaining their choice. This is due on Ctools by April 13 5M. We grade this pass/fail. The presenting teams need not vote and will automatically get a “pass” grade.

Final Take Home Essay (22%)

There will be a take home final exam consisting of one essay question. Note that a word limit rule applies to the final essays.

Grade Scale: Final grades for the course will be determined as follows: A+ (100+); A (93-100); A- (90-92); B+ (87-89); B (83-86); B- (80-82); C+ (77-79); C (73-76); C- (70-72)

Late policy: There will be a 20% reduction of grade for every day that your county report and final essays are turned in late. If you post your paper even a few minutes late on Ctools, that will be counted as late by a day. It is also your responsibility to double-check that your work has been successfully posted on Ctools. If you encounter any technical problem, you can of course email your work to your GSI.

Office Hours: Please sign up for my office hours on ctools. You may of course drop in, but students who sign up or email me in advance have priority. If my normal office hours don't work for you, please email me to set up a different time.

Class Schedule

#	DATE	TOPIC
1	9/5 (Wed)	Introduction
2	9/10 (Mon)	China in comparative and historical context
3	9/12 (W)	The Socialist Era, 1949-1978
4	9/17 (Mon)	The Socialist Era, 1949-1978
5	9/19 (W)	Market Transition Part I (before 1993)
6	9/24 (Mon)	Market Transition Part II (Tiananmen)
7	9/26 (W)	Market Transition Part III (after 1993)
8	10/1 (Mon)	Market Transition Part IV (China 2030) + review session
9	10/3 (W)	REVIEW QUIZ [1]
10	10/8 (Mon)	Structure of the CCP Party State
11	10/10 (W)	Structure of the CCP Party State + county assignment discussion
12	10/15 (Mon)	Role of state in economy
13	10/17 (W)	NO CLASS – Fall study break
14	10/22 (Mon)	Local States as developmental
15	10/24 (W)	Local States as developmental
16	10/29 (Mon)	Case Study of a county government + review session
17	10/31 (W)	Guest Lecture
18	11/5 (Mon)	NO CLASS
19	11/7 (W)	NO CLASS
20	11/12 (Mon)	REVIEW QUIZ [2]
21	11/14 (W)	Local states as developmental and distorting (indirect public finance)
22	11/19 (Mon)	Local states as developmental and distorting + review session
23	11/21 (W)	Corruption: forms and variance
24	11/26 (Mon)	Corruption and development
25	11/28 (W)	State & foreign investment
26	12/3 (Mon)	State & private sector
27	12/5 (W)	County competition
28	12/10 (M)	Review and concluding thoughts

Tentative List of CCS Speaker Events

For finalized dates and times, check CCS Website: <http://www.ii.umich.edu/ccs>

Date	Speaker	Topic
10/2 (Tuesday)	Andrew Wedeman CCS Noon Lecture Series	Corruption
10/9 (Tuesday)	Lan Deng CCS Noon Lecture Series	Architecture and urban planning
11/6 (Tuesday)	Nicola Di Cosmo CCS Noon Lecture Series	Globalization in ancient and early modern China
11/19 (Monday)	Ethan Michelson CCS Research Seminar	Law and courts
11/20 (Tuesday)	Benjamin Levy CCS Noon Lecture Series	Borderland in Qing Dynasty
11/27 (Tuesday)	Tom Rawski CCS Noon Lecture Series	The Chinese economy
12/4 (Tuesday)	Filippo Marsilli CCS Noon Lecture Series	Imperial Authority in pre-modern China

COURSE SCHEDULE & READINGS

Class#1

Introduction

Course theme; teaching objectives; assignments

Class#2

China in Comparative and Historical Context

Diamond, Jared M. 2005. *Guns, germs, and steel : the fates of human societies*. New York: Norton. Pp 13-28 & 409-417 & 430-432

Naughton. *The Chinese Economy*. Chapter 2 (The Chinese economy before 1949)

Xiaotong Fei, *From the Soil: the foundations of Chinese society*, pp. [TBD]

Discussion questions:

- “Why Europe, not China?” Why did China not industrialize before the West?
- What are the legacies of pre-1949 for post-1979 reforms?

Part I: Temporal Overview of China’s Transition from Socialism to Capitalism

Class#3

The Socialist Era, 1949-1978, Part I

Naughton. *The Chinese Economy*. Chapter 3 (the Socialist Era).

Huang. *The Spiral Road*. Introduction, Chapter 1 (Prologue), Chapter 3 (The Liberation) pp. 41-49

Liao Yiwu. *The Corpse Walker*. “The Former Landowner” (on Land Reform)

Discussion question:

- How did central planning work during the socialist era?
- Following CCP rule, what fundamental changes happened in rural China?
- Why did the big push for development fail?

Class#4 (1/18) Wed

The Socialist Era, 1949-1978, Part II

Vogel. *Deng Xiaoping*. Chapter 1 (From Revolutionary), Chapter 2 (Banishment & Return)

Huang. *The Spiral Road*. Chapter 4 (Hunger, Hunger) & Chapter 3 (Joining the Act)

Liao Yiwu. *The Corpse Walker*. “The Retired Official” (on the Great Leap Forward)

Liao Yiwu. *The Corpse Walker*. “The Former Red Guard” (on the Cultural Revolution)

When reading the Deng chapters, focus on getting a sense of extreme “ups and downs” in his career; obstacles he faced (especially from Mao and radicals); ideology in policy making

Questions:

- What happened during the Great Leap Forward and Cultural Revolution?
- What explains such devastating disasters?
- What legacies did they leave for future reform? What lessons? What continuities?

Class#5

Market Transition Part I (before 1993): Initial Opening & Experimentation

Naughton. *The Chinese Economy*. Chapter 4 (Market Transition), pp. 85-99
Vogel. *Deng Xiaoping*. Chapter 7 pp. 245-248 (on the Third Plenum), Chapter 13 (Experiments)
Huang. *The Spiral Road*. Chapter 8 (Prosperous Years), pp. 136-150

Discussion Questions:

- Describe the timeline of China's reform from 1979 to the present. Why is it divided into two phases?
- What were the elements of pre-1993 reform?
- What role did experiments in Southern China (Guangdong and Fujian) play in reforms? How did they succeed? What resistance did they face? And what problems emerged?

Class#6

Market Transition Part II (before 1993): Tiananmen & Deng's Southern Tour

Vogel. *Deng Xiaoping*. Chapter 23 (Deng's finale). Chapter 24 (China transformed)
Liao Yiwu. *The Corpse Walker*. "The Tiananmen Father"
Jan Wong. "Red China Blues." Chapter 13 (people power). (an alternative view of the students' movements)

Discussion Questions:

- What led to the Tiananmen Incident?
- What was its significance in China's market transition?
- How did Deng respond? Why and how did he take the Southern Tour? What were its effects?

Class#7

Market Transition Part III (after 1993)

Naughton. *The Chinese Economy*. Chapter 4 (Market Transition), pp. 100-110.
Yingyi Qian & Jinglian Wu. "China's Transition to a Market Economy: How Far Across the River?"

Discussion Questions:

- How were the main features of the second phase of market transition? How is it distinguished from the first phase?
- Why does the second phase of reform involve a change in governance structure? Which changes?

Class#8

Market Transition Part IV (China 2030)

World Bank and Development Research Center for State Council, *China 2030: Building a Modern, Harmonious, and Creative High-Income Society*, pp. 3-24
BARBOZA, D. (2012). "A Call for Beijing to Loosen Its Grip on the Economic Reins." [New York Times](#).

Discussion questions:

- What are the problems of China's model of economic growth thus far?
- What are the main elements of reform proposed in the 2030 report?
- What do you think are the main challenges of implementing these reforms?

Review Session

Email me in advance concepts you'll like to clarify or questions about the preceding weeks' discussions

Class#9

Review Quiz [1]

Part II: Structure of the CCP State

Class#10

The Structure of the CCP State

Kenneth Lieberthal. *Governing China*. Chapter 6 (Organization of Political Power), pp. 171-205; Chapter 7, pp. 218-242

Lieberthal, Kenneth. 1992. "Introduction: the 'fragmented authoritarianism' model and its limitations." In *Bureaucracy, Politics, and Decision Making in Post-Mao China*

Website at China Daily provides useful references on the 17th Party Congress

http://www.chinadaily.com.cn/china/china_17thcongress_page.html

Discussion questions:

- What are the composite levels and parts of the Communist party-state?
- Who is a politician and who is a bureaucrat in China? Are they different? (In other words, think about how the party and state is fused)
- What are the fundamental differences between the Chinese and U.S. political system?
- How is power fragmented in China? Does that constitute constraints on power? Checks and balances?

Class #11

The Structure of the CCP State

Continued

County Assignment Discussion

Read: USCBC 2010 Member Priorities Survey Results: US Companies' China Outlook (posted on ctools under county assignment folder)

Discussion:

- Discussion of county assignment guidelines
- Discussion of common problems faced by businesses operating in China

Part III: The Contrasting Economic Role of State in China

Class#12

The Role of State in the Economy

Evans, Peter B. 1995. *Embedded autonomy: states and industrial transformation*. Chapter 1.

"Diversifying Nevada", *The Economist*, Jan 7 2012

Discussion Questions:

- What should be the proper role of state in the economy?
- What is a developmental state? Why does state intervention matter in late industrializing economies?
- What are the features of a developmental state, as seen in East Asia, and a predatory state, as seen in sub-Saharan Africa? (Later on, we shall compare these cases to China.)
- Economist article: Is the state of Nevada acting like a 'developmental' local state?

Class#13

Fall Break

Class#14

Local States as Developmental

Oi, Jean 1992. *Rural China Takes off: Institutional Foundations of Development*. Chapters 1 and 2.

Blecher, Marc, and Vivienne Shue. 2001. "Into Leather: State-led Development and the Private Sector in Xinji." *The China Quarterly* 166 (166): 368.

Susan Whiting, Cadre Evaluation System at the Grassroots, in *Holding China Together*

Discussion Questions:

- In what ways were Chinese local states "developmental"? What do they do to promote development?
- Why do local states enthusiastically promote development? What were the fiscal and career incentives?
- How is the developmental model in China different from East Asia's?

Class#15

Local States as Developmental

Naughton. *The Chinese Economy*. Chapter 12 (Rural Industrialization)

Discussion questions:

- What are TVEs? How were they different from state-owned and private enterprises?
- What explains their rise and decline?

Class#16

Case Study of a County Government

Andrew Walder, "Zouping in Perspective," in 1998. *Zouping in transition: the process of reform in rural North China*.

Review Session

Email me in advance concepts you'll like to clarify or questions about the preceding weeks' discussions

Class #17

Guest Lecture

Class #20

Review Quiz [2]

ANNOUNCE QUESTION FOR FINAL ESSAY

Class#21

Local states as developmental and distorting (indirect public finance)

Joyce Yanyun Man. "Local Public Finance in China," In *China's Local Public Finance in Transition*

"Home Truths," *The Economist*, July 5 2007

"Canny Villagers Grasp Keys to Loosen China's Muzzle," *New York Times*, Dec 22 2011

Discussion questions:

- Why was fiscal contracting replaced by the tax-sharing system in 1994? What are the effects of the latter?
- What are the origins and consequences of land public finance (selling land by local governments to raise revenue) in China?
- What do you see as the economic role of local governments? Is it more developmental or distorting?

Class #22

Local states as developmental and distorting (indirect public finance)

Continued

Class#23

Corruption: Forms & Patterns

Sun, Yan. 2004. *Corruption and market in contemporary China*. Chapter 1 (phenomenology)

“Investigation into wedding banquet for Chinese police chief’s daughter,” 5 Jan 2010, *The Guardian*

Discussion questions:

- What is corruption? What forms do they take in China? What are its patterns over time and regions?

Class#24

Corruption & Development

Wedeman, Andrew. 1997. Looters, rent-scrappers, and dividend-collectors: Corruption and growth in Zaire, South Korea, and the Philippines. *The Journal of Developing Areas* 31 (4): 457.

Discussion questions:

- How is corruption in China different from corruption in other countries including the U.S.?
- What are the different forms of corruption and how do their economic consequences differ?
- How would you characterize the prevalent type/s of corruption in China?
- Why do you think China has grown so rapidly despite what appears to be a serious corruption problem?

REMINDER: COUNTY REPORT DUE

Part IV: State & Firms

Class#25

State & Foreign Investors

Naughton. *The Chinese Economy*. Chapter 17 (Foreign investment)

Discussion questions:

- What are the patterns of FDI in China? What role has FDI played in China’s growth?
- What are the characteristics of FDI in China compared to other countries?

CLIP: Clip from *The Men Who Would Conquer China*

Class#26

State & Private Capitalists

Tsai, Kellee S. 2007. *Capitalism without democracy : the private sector in contemporary China*. Chap 3 (Revival)

“China's Capital Of Capitalism Weathers Recession,” March 2, 2012, NPR News (on China's first licensed private entrepreneur)

“China's richest man hopes to join the political elite” CNN news, Sep 29 2011

Discussion questions:

- What is the political environment like for China's private sector? How is that different compared to the U.S.?
- What coping strategies do private firms develop to cope with the political environment?

CLIP: Clip from *Win in China*

Class#27

COUNTY COMPETITION

REMINDER: Post your vote and memo explaining choice on Ctools

Class#28

Review & Concluding Thoughts

Re-read: Xiaotong Fei, *From the Soil: the foundations of Chinese society*, pp. [TBD]

REMINDER: FINAL ESSAY DUE