

ECON162. REVIEW QUESTIONS

Introduction.

1. How can one characterize briefly the evolution of the Chinese economy since 1978? And the evolution of the Chinese political system?
2. How well has China integrated itself in the world economy? How has the share of China's exports in world exports evolved?
3. What are the major trends identified by Maddison in terms of the relative economic sizes of various countries and regions since the early nineteenth century? What economic processes are behind those trends?
4. Where does China stand in the world in terms of fight against corruption? How has China evolved from that point of view in the last 20 years?
5. In terms of international measures of institutions, how does China measure relative to the outside world? Name three of these measures and comment on China's place w.r.t. those measures?

Geographical background

1. What are the main ideas of Jared Diamond on the geographical advantages of Eurasia over other continents?
2. What are the main patterns of the distribution of population across the Chinese territory?
3. What are the main macro-regions in China and what are their main geographical characteristics?
4. What are the characteristics of the three main rivers in China and their economic role?
5. What are the reasons the Chinese economy been traditionally been more inward-looking? How does this relate in particular to the geography of the coastal areas?
6. How large is China's total area relative to other countries? How large is China's arable area relative to other countries?

Historical background

1. What are elements of continuity between ancient China and communist China? Give some similarities and some differences.
2. Give some main elements of Confucianist philosophy and how it relates to China's history since the Shang dynasty.
3. Why is Confucianism a collectivist philosophy?
4. What is legalist doctrine? When was it introduced and what is its relation to Confucianism?
5. What elements of Confucianism and legalism are present in Communist China? In what form?

6. Historically, how developed was the Chinese economy relative to Europe throughout history? Why the shifts observed?
7. How were Treaty ports established in China? What was their legacy in 1949?
8. What were the main characteristics of China's interaction with foreign countries between roughly 1850 and 1950?
9. What effects did the Japanese invasion have on the economy of Northeast China?

History of Central Planning

1. What were the characteristics of the Chinese economic strategy when central planning was introduced?
2. What were the main patterns of growth (income, investment, consumption, structural change) during China's central planning period?
3. Compare China's development strategy under central planning with that of Taiwan?
4. Did Taiwan's economic strategy play a role in China's reform process after 1978? Why? How?
5. What is balanced growth strategy of development? What are the pros and cons?
6. What is unbalanced growth strategy of development? What are the pros and cons?
7. How would you characterize China's economic development under central planning? Was it closer to balanced or unbalanced growth strategy?
8. What is the distinction between strategies of economic development based on import substitution versus export promotion? Give examples of countries choosing one or the other? Which of those two strategies characterized China under central planning?
9. What are the fundamental features of the economic and political system under socialism? Why are they fundamental for the system?
10. What is the difference between the role of the Communist Party and of the government under central planning?
11. What do we mean by non state property in the context of China's central planning?
12. How does resource allocation work under central planning?
13. What is the role of prices under central planning?
14. What is a material balance? How was it used in the context of central planning?
15. How did managers respond to incentives under central planning? Give some examples?
16. What was the specificity of Mao's thinking of the economy? How did this influence economic policy?
17. What were the main differences between the Soviet and the Chinese model of central planning? Which of these differences were due to different levels of development and which were due to policy choices?
18. What were the economic characteristics of the Great Leap forward? What were its consequences?
19. Cite a historical parallel to the Great Leap forward? What were the commonalities between the two famines?
20. China's central planning was based on the territorial principle and Soviet central planning was based on sectoral central planning. Explain these differences and their economic effects under central planning and under market transition.

21. What were the obstacles for peasants to come and live under illegal conditions under socialism?

A picture of the reform process

1. What are the main differences between gradualist and big bang strategies in the transition to the market economy? What was China's strategy? Explain.
2. How has the official CCP view of the role of the market economy evolved since 1978? What were the main milestones and when?
3. Why did China choose a gradualist transition to the market economy?
4. Why did the introduction of the Household Responsibility system in Chinese agriculture lead to a rapid increase in production? How strong were the incentives created?
5. Why did the household responsibility system lead to the growth of township village enterprises? Explain.
6. How did fiscal decentralization in China help the reform process? Explain the incentives it created for local leaders.
7. Why did the reform process start in the countryside and only later in urban environments and in industry?
8. What is dual-track liberalization? Explain the incentive and allocative effects.
9. Explain dual-track liberalization using a simple supply-demand framework.
10. Why was dual-track liberalization introduced in China and not in Eastern Europe?
11. What are the common features of the household responsibility system and dual-track liberalization?
12. What were the characteristics of the first special economic zones established in China? What was their purpose? What was their relation to the rest of the Chinese economy?
13. What were the main differences between the first phase of reforms (1980) and the second phase (1990s)?

China's specific institutions

1. What is the main institutional specificity of China's market economy?
2. What was the role of the CCP in market reforms in China? What were its goals? Its motivation?
3. Why did communist power structures erode in Eastern and Central Europe? Give some of the main steps of this erosion.
4. Under what circumstances did the Leninist organizational form emerge? What are its strengths? Its weaknesses?
5. Give two main principles of the Leninist organizational form.
6. What is democratic centralism? What are its effects?
7. Which organizational rules help communist parties stay united and avoid splits?
8. What does the principle of "leading role of the CCP" mean in reality? How does CCP power differ from that of other autocracies?
9. How has the CCP dealt with the danger of private sector growth eluding party control?

10. By what means does the CCP ensure its power? Give three main problems of political power. How has the CCP been able to deal with them?

Growth and Structural Change

1. How reliable are China's GDP statistics? What possible problems could affect these statistics?
2. Are there alternative ways of measuring China's GDP? Give an example and explain conditions necessary for this to be a justifiable measure.
3. How does China's growth compare to that of other Asian fast growers?
4. What is growth convergence or conditional growth convergence? What is the theoretical basis for it?
5. Other Asian countries have seen economic growth slow down. Roughly at what level of GDP per capita? What might be the reason for it?
6. What is special about China's growth compared to earlier fast growing Asian economies?
7. What are main characteristics of China's growth accounting after 1978? How does it compare to the period before? How does it compare to growth accounting for the US?
8. What are the structural changes associated to China's strong growth in the last decades? In terms of GDP composition? In terms of labor allocation?
9. Is the return to capital high in China? How does it compare internationally? How has it evolved during the reform period?
10. How has the return to capital evolved in the main sectors of China's economy?
11. How developed is the service sector in China relative to India?
12. Depending on whether we use 1978 or 1993 prices (early or later prices) we get a different picture of China's sectoral changes. Discuss.

Agriculture.

1. What is the difference between rural population in China and agricultural labor force? Explain.
2. Give a brief overview of the main institutional arrangements in agriculture from 1949 until today.
3. What was the difference in incentives of farmers under the agricultural collectives under socialism and under the household responsibility system? Explain.
4. Under the household responsibility system, incentives of farmers were nearly identical to those of private farmers. Discuss and explain what features of the household responsibility system generated these incentives.
5. The household responsibility system included mandatory grain delivery quotas to the government. Discuss its effects relative to decollectivization without mandatory deliveries.
6. What effect did agricultural reform after 1978 have on the delivery of local public goods?
7. After China's agricultural reforms, fears were expressed about its effects on food supply and prices in other developing countries. What were those fears? Were they justified based on observed data since the nineties? Explain.

8. How did China's agricultural prices evolve since 1978 relative to world prices? Comment on their general evolution and its effects on redistribution between rural and urban areas?
9. Based on relative scarcities, draw a diagram to show the difference in optimal technological choices in agriculture in the US and in China. Explain.
10. What have been the main channels of technological improvement in Chinese agriculture since 1978?
11. What are the main components of the Green Revolution in China?
12. Township and Village Enterprises grew very fast just after decollectivization. What are they and how can one explain their growth?
13. Based on agricultural growth accounting, what part of output growth is explained by the household responsibility system? What part is explained by increased procurement prices? Give magnitudes.

China's state industry and state-owned sector

1. Describe the changes that occurred since the reforms in the financing of SOEs. Discuss the consequences of these changes.
2. Describe the evolution of profitability of SOEs in China since 1978. Have there been marked changes in trend. Explain the reasons for this evolution.
3. What kinds of reforms were implemented in SOEs the first decade of reforms? How successful were those reforms?
4. What is the soft budget constraint? What are its causes? What are its consequences?
5. Describe the change in SOE reforms starting from 1994.
6. Describe the Chinese privatization policy in the 1990s. What were its consequences?
7. Laying off workers has proved particularly tricky in China. Why? How has layoff policy dealt with some of the specificities of the Chinese situation?
8. What is corporate governance and what is its objective? What governance reforms have been introduced in China? Discuss their implementation.
9. What benefits may Chinese SOEs reap from raising debt and equity on financial markets outside China?
10. What advantage may there be for SOEs to have minority private shareholders via public listings on the Chinese stock markets? What are the limitations of such a policy?

China's non state sector

1. Which joint stock companies are considered non state, and which are considered state-owned enterprises?
2. Name the type of private and non private enterprises that are considered non state enterprises in China.
3. Characterize the level of development of rural industry before the 1978 reforms.
4. Characterize the main features of development of the non state sector in the two stages of reform in China (1978-1990 and after 1990).

5. The emergence of township village enterprises is a unique phenomenon in China compared to developing countries. Why were collectively owned TVEs a success in China? Explain this in terms of initial conditions but also in terms of benefits of TVEs for local authorities and entrepreneurs as well as benefits from the collaboration.
6. Did TVEs develop equally strongly in all provinces? Name some provinces that had a stronger development of TVEs.
7. What comparative advantage did the growth of TVEs draw on? Explain.
8. Why did TVEs become privatized in the mid 1990s?
9. What were the main forms of privatization of TVEs? Name at least four forms.
10. What are the recurring problems of entry for private enterprises?
11. What economic sectors were subject to government crackdown in 2020 and 2021? Name the most important ones and the accusations formulated against private sectors .
12. What were possible economic reasons for the crackdown on the private sector in 2021?
13. What were possible political reasons for the crackdown on the private sector in 2021?

China's financial sector.

1. Characterize the role of banking and bank deposits in the socialist economy.
2. What are the main financial instruments firms use to raise money for financing their operations? What is the relative importance of these main instruments in China?
3. Since commercial banking was introduced in China, household deposits have increased markedly. What are the main causes of this success? Give at least four causes. Explain.
4. What is different in Chinese bank lending compared to normal market economies?
5. Why is it important to distinguish between the stock and the flow of non performing loans? How does one usually deal with the stock problem? How does one usually deal with the flow problem? How has China dealt with both problems?
6. Describe briefly the evolution of non performing bank loans in China since the reforms started? Explain the various trends.
7. What is the main rule of the Basel banking regulation? How does it affect the incentives of banks?
8. Is one likely to see bank runs in China? Explain your answer.
9. What is the role of asset management companies in China in bank restructuring? How do they operate? Who bears their costs?
10. Give an example of an AMC operating beyond its mission. Explain.
11. What are the different types and classes of shares in China?
12. How large is China's stock market compared to other countries? How to measure China's stock market capitalization to make it comparable to other countries?
13. How to characterize China's stock markets so far? What are their strengths and weaknesses?
14. What are the three red lines the Chinese government is trying to impose to the real estate sector. Explain why.

Demographics, labor markets and inequality

1. What were the main characteristics of demography in China before 1949. What are the main trends observed since then? How can one explain those trends?
2. What is the role of the age distribution in determining the population growth rate in a country. Explain.
3. What is the demographic transition? How can one explain it? What has been China's contribution to the world demographic transition? Through what policies mainly?
4. List some consequences of the one child policy on various demographic outcomes (name at least two demographic variables) and give some examples of social consequences (direct and indirect) of that policy.
5. How has China's age pyramid evolved? What about the dependency rate? Is there a difference between both evolutions? If so, to what is it due?
6. What effect does the one child policy have on old age care in China and pension policy?
7. What has been the evolution of employment under ownership categories since the reform period?
8. Is the return to education high in China? Explain.
9. What are the components of China's safety net? How do they affect rural versus urban population?
10. How has poverty alleviation evolved over time in China? How was it affected by the reforms?
11. Explain with a figure how one calculates the Gini coefficient. Draw a relatively egalitarian income distribution and a relatively inegalitarian one using similar figures.
12. What are the major population decompositions to look at when measuring income inequality in China? Explain.

Foreign trade

1. What was the evolution of trade partners and trade composition of China under the socialist economy?
2. What were foreign trade companies (FTCs) under the socialist economy? What was their role? What was the "double airlock" and what was its purpose?
3. How did China engage in foreign trade under central planning given the difference between world market prices and centrally planned prices?
4. How did China reform the FTC system under its transition to the market economy?
5. What was the dual-track foreign exchange regime? How did it work? What incentives were built in? How long did it last?
6. What was the dual track in foreign trade? Explain how it worked, its advantages and disadvantages?
7. What is the difference between the FTC system and current account convertibility?
8. How can one have current account convertibility without capital account convertibility? What has China's experience been in that regard?
9. Why has China been accumulating foreign exchange reserves?

10. Explain China's export processing trade regime? What is its relation to the dual track in foreign trade?
11. Is export activity equally divided among provinces or regions? Which provinces are the most active in export activity?
12. What was China's motivation in entering WTO? And what was the motivation of other countries in letting China enter WTO?
13. What were the main terms of China's accession to WTO?
14. Name some aspects of China's entering WTO that were not standard. Explain why.
15. Overall, what can we say about the effects of China's entry in WTO?

China in the 21st century

1. After decades of catchup, China is recovering the weight in the world economy it had before industrialization. What is different between China's role in the world economy then (before industrialization) and now?
2. Why did Deng Xiaoping want to introduce the market economy in a country where the Communist Party is in power?
3. What challenges can one expect to the monopoly power of the CCP in coming decades?
4. What are the main factions within the CCP and why is there a stable balance between factions despite no formal rule on factions?
5. What would modernization theory imply about China's political future?
6. What is the role played by communist ideology in China these days? Discuss the pluses and minuses.
7. Why can corruption lead to regime collapse in China? What are the problems in fighting corruption?
8. Will China be tempted to engage in territorial expansion as it becomes economically more powerful? Discuss.
9. How can Chinese infrastructure investment in Central Asia benefit the Chinese economy given its costs in landlocked areas?
10. What are the main motivations of Chinese leaders in the Belt and Road Initiative?
11. To what extent does China support the revival of nationalist tendencies in the world economy or not? Discuss.
12. Mention five weaknesses of China in the pursuit of its geopolitical ambitions.