

Preliminary

Course plan for **NEK 745 The Chinese Economy II**, advanced course for 5 Swedish credits (7.5 ECTS-credits) at the masters level (61-80 Swedish credits).

1 Placement of the Course within the Education System

This is a single-subject masters course in economics. For further details see the most recent course catalogue.

2 Purpose of the Course

The goal of the course is to provide an in-depth analysis of China's path towards a free enterprise economy. The course will specifically focus on the political economy of China's ownership reforms and pursue an institutional analysis of the ongoing reforms. The course builds on the methodological framework of New Institutional Economics, to develop an understanding of the rapidly changing business system.

3 Content of the Course

The course is divided into two parts. The first part will be held in the form of lectures, introducing the students to the major theoretical underpinnings related to the emergence of a free enterprise economy. After a four week break, the second part of the course will be held in the form of two one-day seminars, where students present their own papers on selected topics related to China's emerging private economy. Topics will deal with questions such as corporate governance under socialist leadership, the role of a business network within immature legal environments and resource constraints within a partially liberalized market.

4 Teaching Methods and Examination

Instruction is given in the form of lectures and seminars. Examination consists of one home exercise, one presentation and a seminar paper. The following grades are used: High pass, Pass and Fail, or according to the ECTS grade system.

5 Prerequisites

At least 50 Swedish credits (75 ECTS-credits) in economics, 20 Swedish credits (30 ECTS-credits) in economics, 10 Swedish credits (15 ECTS-credits) in Statistics and 5 Swedish credits in The Chinese Economy A.

6 Further Information

Instruction of this course will be given in English.

7 Literature: see course schedule

Course Schedule and references:***The Chinese Economy II: The Development of a Private Economy*****Lectures:****1. Institutions, Economic Systems and Development**

- Scully, Gerald W. 1988. "The Institutional Framework and Economic Development." *Journal of Political Economy*, 96:1, pp. 652-662.
- North, Douglass C. 1994. "Economic Performance through Time." *American Economic Review*, 84:3, pp. 359-368.
- Keefer, Philip and Stephen Knack. 1997. "Why Don't Poor Countries Catch Up? A Cross-National Test of an Institutional Environment." *Economic Inquiry*, 35, pp. 590-602.

2. Determinants of Institutional Change

- Knight, Jack and Douglass C. North. 1997. Explaining the Complexity of Institutional Change, in David L. Weimer (Ed.). *The Political Economy of Property Rights*, Cambridge, 349-354.
- Allio, Lorene, Mariusz Mark Dobek, Nikolai Mikhailov and David L. Weimer. 1997. "Post-Communist Privatization as a Test of Theories of Institutional Change", in Weimer, David L. (ed.): *The Political Economy of Property Rights*, Cambridge, S. 319-348.
- Lin, Justin Yifu. 1989. An Economic Theory of Institutional Change: Induced and Imposed Change, *Cato Journal*, 9(1), 1-33.

3. The State, Interest Groups, and State Capture

- Hellman, J.S.; Jones, G.; Kaufmann, D. 2003. "Seize the state, seize the day: state capture and influence in transition economies", *Journal of Comparative Economics*, 31(4): 751-773.
- Henisz, Witold and Bennet A. Zelner (2002). Legitimacy, Interest Group Pressures and Institutional Change: The Case of Foreign Investors and Host Country Governments, Working Paper.
- Nee, Victor. 2000. "The Role of the State in Making a Market Economy." *Journal of Institutional and Theoretical Economics* 156: 64-88.

4. Comparing Private Property Rights and State Ownership

- Demsetz, Harold. 1967. "Toward a Theory of Property Rights." *American Economic Review*, 57:2, pp. 347-59.
- Shleifer, Andrei and Robert W. Vishny. 1994. "Politicians and Firms." *The Quarterly Journal of Economics* 59: 995-1025.
- Lin, Justin Yifu and Tan Guofu Tan. 1999. "Policy Burdens, Accountability, and the Soft Budget Constraint, 89(2): 426-431.

5. Privatization Strategies

- Roland, Gerard. 2000. *Transition and Economics. Politics, Markets, and Firms*. Chapter 10, Cambridge: MIT Press.
- Djankov, Simon and Peter Murrell. 2002. "Enterprise Restructuring in Transition: A Quantitative Survey." *Journal of Economic Literature*, 40:3, pp. 793-837.
- Opper, Sonja. 2004. "The Political Economy of Privatization: Empirical Evidence from Transition Economies." *Kyklos* 57:4, pp. 567-594.

6. De-novo Private Firms in Transition Economies

- Johnson, Simon, John McMillan and Christopher Woodruff (2000). "Entrepreneurs and the Ordering of Institutional Reform", *Economics of Transition*, 8(1): 1-36.
- McMillan, John and Christopher Woodruff. 2002. "The Central Role of Entrepreneurs in Transition Economies." *Journal of Economic Perspectives*, 16(3):153-170.
- Jackson, J.E. ; Klich, J. ; Poznanska, K. 1999. Firm creation and economic transitions - Entrepreneurship and Economic Renewal, *Journal of Business Venturing*, 14(5): 427-450.

7. The Legal Environment

- Berkowitz Daniel; Pistor Katharina; Richard Jean-Francois. 2003. "Economic Development, Legality, and the Transplant Effect", *European Economic Review*, 47(1): 165-195.
- La Porta, Rafael, Florencio Lopez-de-Silanesm Andrei Shleifer, und Robert W. Vishny. 1998. "Law and Finance", *Journal of Political Economy*, CVI:1113-1155.
- Henisz, Witold Jerzy. 2000. "The Institutional Environment for Economic Growth", *Economics and Politics*, 12: 1-31.

8. Embeddedness and Social networks

- Granovetter, Mark. 1985. "Economic Action and Social Structure: The Problem of Embeddedness." *American Journal of Sociology*, 91:3, pp. 481-510.
- Nee, Victor. 1998. "Norms and Networks in Economic and Organizational Performance", *American Economic Review*, 87(4): 85-89.
- McMillan, John and Christopher Woodruff. 2000. "Private Order under Dysfunctional Public Order." *Michigan Law Review*, 98:2421-2458.

Seminars:

Literature research for writing papers is the responsibility of the assigned presenters.

For each presentation one reference is listed to provide a starting point for individual research.

For empirical data refer to the World Bank's "Investment Climate Survey".

*Day 1:***9 The Corporatized Firm: Property Rights, State Interference and Performance**

- Wong, Sonia M.L.; Sonja Opper, and Ruyin Hu. 2004. "Shareholding Structure, De-politicization and Enterprise Performance: Lessons from China's Listed Companies." *Economics of Transition*, 12:1, pp. 29-66.

10 The Foreign Firm: Property Rights, Governments and Performance

- Li, Shaomin. 2005. "Why a Poor Governance Environment Does not Deter Foreign Direct Investment: The Case of China and Its Implications for Investment Protection", *Business Horizons*, 48:297-302.

11 The Private Firm and the Role of the Local State

- Unger, Jonathan and Anita Chan. 1999. "Inheritors of the Boom: Private Enterprise and the Role of Local Government in a Rural South China Township", *The China Journal*, 42:45-74.

*Day 2:***12 Institutional impediments of Private Firm Development**

- Gregory Neil and Tenev Stoyan. 2001. "The financing of private enterprise in China", *Finance & Development*, 38(1): 14-17.

13 The Role of Social Ties in Doing Business

- Peng, Mike W. (2001). "How Entrepreneurs Create Wealth in Transition Economies", *Academy of Management Executive*, 15(1): 95-108.

14 Entrepreneurs as a New Interest Group

- Nevitt, Christopher. 1996. "Private Business Associations in China: Evidence of Civil Society or Local State Power?", *The China Journal*, 36: 25-43.

15 Closing Discussion