



Cornell University Southeast Asia Program

Recent Developments in China's Economy

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Introduction

This unit introduces students to recent developments in China's economy focusing on the later period (the 1990s on) of China's reforms towards a market-oriented economy. It describes major achievements in China's economic development and discusses some of the new economic and social problems associated with the rapid growth that China faces now.

Audience and Uses

The unit is appropriate for a wide range of undergraduate courses including but not limited to:

- East Asian/Chinese Economies
- East Asian Societies or East Asian Social Development
- 20th Century China
- Globalization
- Comparative Economics
- Economic Development
- Sociology of Economic Development
- Globalization and East Asia
- Introduction to East Asia
- Modern History of East Asia
- The materials can be adapted for use in one or two lecture sessions of approx. 60-75 minutes each or one session of a discussion-based seminar course.

The unit is accessible to instructors and students who have no prior background in Economics or East Asian Studies.

Background Information for the Instructor

A brief overview of China's 20th century economic history prior to the 1990s is useful for a better understanding of recent developments.

From 1949 to 1978, China had a planned economy — the state determined how much to invest, what projects to undertake, and all other budget plans. Each commodity's price was fixed and there were specific production plans for all state-owned enterprises. In other words, price did not serve as a signal to allocate resources. All resources were allocated according to government plans. Household registration systems also made it hard for people to leave their places of birth.

In 1978, China instituted economic reforms which gradually started bringing China toward a more market-oriented economy. Experiments were first undertaken in rural areas — beginning in the late 1970s, the state allowed farmers the opportunity to lease land from the state and to produce and remit an agreed upon amount of grain back to the state. The farmers got to keep whatever remained of their harvest and sell it on their own. This experiment was a great success and provided farmers with incentives that largely increased their productivity. Since this time, market principles have been gradually introduced to other sectors of the economy as well, and China has enjoyed unprecedented economic development.

Instructor Readings

The following readings provide instructors with more detailed information on the pre-reform and early reform eras (1978 – 1990s).

LIN, Justin Yifu, Fang CAI, and Zhou LI. *The China Miracle: Development Strategy and Economic Reform*. Hong Kong: The Chinese University Press, 2003. pp. 30-67.

Addresses the planned economy under socialism.

QIAN, Y., L. LAU and G. Roland. "Reform without Losers: An Interpretation of China's Dual-Track Approach to Transition," *Journal of Political Economy*, February 2000, 108 (1), pp.120-143. Available online at <http://elsa.berkeley.edu/~yqian/research.html>

QIAN, Y. "The Process of China's Market Transition (1978-1998): The Evolutionary, Historical, and Comparative Perspectives," *Journal of Institutional and Theoretical Economics*, March 2000, 156 (1), pp. 151-171.

Both of these readings address China's economy during the reform era.

Student Reading

Organisation for Economic Co-operation and Development (OECD). *China in the World Economy: the Domestic Policy Challenges*. The synthesis report is available online at: http://www.oecd.org/document/43/0,2340,en_2649_34673_2075243_1_1_1_1,00.html

Optional Film

Screen the following film in advance of the lecture or discussion session.

Frontline: China in the Red. (documentary film) Written, produced, and directed by Sue WILLIAMS, 2003. 120 minutes. DVD and VHS. Available for purchase (\$19.99-\$29.99) from <http://www.shoppbs.org/product/index.jsp?productId=1405387>. The film can also be viewed on the film's companion website (which also includes supplementary materials) at: <http://www.pbs.org/wgbh/pages/frontline/shows/red/>.