

**Chinese Capitalism:
Historical and Comparative Perspectives
(SOSC4310; 3 credits)**

Instructor: Yi-min Lin
Email: y.lin@ust.hk
Office: 2357
Office hour: By appointment

Course Description

This course examines the re-emergence and development of capitalism in post-Mao China through the lens of comparisons with capitalist practices in pre-1949 China and non-PRC Chinese economies and with select capitalist systems elsewhere. Through reading and discussing scholarly works focusing on contractual governance, students will be guided to explore the forces that shape the evolution of internal organization, inter-firm interactions, and business-government relations in different historical and social contexts. The objective is to help students deepen their understanding of China's economic transformation and broaden their perspectives on capitalist economic organizations and institutions.

Intended Learning Outcomes (ILOs)

After taking this course, students should be able to

- (1) Master basic knowledge about the building blocks and inner workings of a capitalist system and a solid understanding of these in the context of China (ILO 1);
- (2) Make use of historical and comparative analytic methods to critique different approaches to the study of modern economic activities (ILO 2); and
- (3) Engage in empirically grounded and theoretically informed discussions about economic affairs in China (ILO 3).

Requirements

- (1) Students are expected to attend class on time, to read at least one relevant article or book chapter each week, and to participate in class discussions.
- (2) Each student is required to write a ***case report*** about a company that operates in China. The company should be identified by the end of the add-drop period and in consultation with the course instructor. After that, a periodic (preferably weekly) update should be sent to the instructor with information regarding (but not limited to) the company's history, ownership (e.g., state, private, foreign, mixed, etc.), size (e.g., workforce, sales, assets, etc.), (internal and external) organizational structure (e.g., controlling interests, subsidiaries, spin-offs,

networks/clusters, stake-holding elsewhere, etc.), main business activities (sector[s], competitors, markets, etc.), business model(s), achievements and problems/challenges. The cumulative updates will culminate in the full report, which will be due on November 29.

(3) The main requirement for the course is a review of a book that is relevant to the theme of the course. A list of 40 such books is provided below. Any ONE of them can be the focus of the review. Students are also strongly encouraged to propose books (especially those published in the past five years) of their own choice and, with approval by the instructor, write their reviews on such books.

The review should contain (but not be limited to) the following: (1) a brief summary of the main thrust (e.g., motivation, arguments, supporting evidence, research methods, and intended empirical and/or theoretical objectives) of the book, (2) a discussion of its strength and major contribution(s) (if any) to the pertinent literature or scholarship, (3) a critique of its main weakness(es), and (4) a discussion of how it may be improved or extended to help better understand or explain the subject issue.

The due date for the book review is December 13, two weeks after the last class.

(4) The case report accounts for 40% of the grade points, whereas the share of the book review will be 60%.

Summary of Assessment Components

Case report (40%)	ILO1	This task provides an opportunity for students to gain insights into how capitalist economic activities are organized in concrete context.
Book review (60%)	ILO2, ILO3	This task allows students to use their empirical knowledge and theoretical perspectives gained from the course to critique existing works on capitalist governance.

Final Grade Description

Grade	Short description	Elaboration on grading description
A	Excellent performance	Demonstrates firm knowledge about China's capitalist transformation and a clear understanding of the underlying forces at work.
B	Good performance	Demonstrates broad knowledge about China's capitalist transformation and a solid understanding of the underlying forces at work.
C	Satisfactory performance	Demonstrates core knowledge about the essential facts of China's capitalist transformation and a basic understanding of the driving forces at work.

D	Marginal pass	Demonstrates basic knowledge about the essential facts of China's capitalist transformation and a rudimentary understanding of the driving forces at work.
F	Fail	Demonstrates insufficient knowledge and understanding about China's capitalist transformation and the driving forces at work.

Communication and Feedback

Students are encouraged to participate in class discussions and to seek clarifications and ask questions after class or during appointed meeting time with the course instructor. Final assessment result will be posted via Canvas within two weeks of the submission of the book review.

Course AI Policy

The use of Generative AI is permitted but must be declared if it is used for the preparation of the case report and/or the book review.

Academic Integrity

Students are expected to adhere to the university's academic integrity policy. Students are expected to uphold HKUST's Academic Honor Code and to maintain the highest standards of academic integrity. The University has zero tolerance of academic misconduct. Please refer to [Academic Integrity | HKUST -Academic Registry](#) for the University's definition of plagiarism and ways to avoid cheating and plagiarism.

List of Books for the Book Review (some of the book chapters are also suggested as reading materials)

- (1) Daren Acemoglu and James Robinson. 2012. *Why Nations Fall: The Origin of Power, Prosperity, and Poverty*. New York: Crown Publishers.
- (2) Bruno Amable. 2003. *The Diversity of Modern Capitalism*. New York: Oxford University Press.
- (3) William Baumol, Robert Litan, and Carl Shram. 2007. *Good Capitalism, Bad Capitalism, and Economics of Growth and Prosperity*. New Haven: Yale University Press.
- (4) Daniel A. Bell. 2016. *The China Model: Political Meritocracy and the Limits of Democracy*. Princeton: Princeton University Press.
- (5) Anita Chan (ed.). 2011. *Walmart in China*. Ithaca, NY: ILR Press.

- (6) Ming-jer Chen. 2000. *Inside Chinese Business: A Guide for Global Managers*. Boston: Harvard Business School Press.
- (7) Weitseng Chen (ed.). 2017. *The Beijing Consensus?: How China Has Changed Western Ideas of Law and Economic Development*. Cambridge & New York: Cambridge University Press.
- (8) Donald C. Clarke. (ed.) 2008. *China's Legal System: New Developments, New Challenges*. New York: Cambridge University Press.
- (9) Jacques de Lisle, Avery Goldstein & Guobin Yang (eds.) 2016. *The Internet, Social Media, and a Changing China*. Philadelphia: University of Pennsylvania Press.
- (10) Hernando de Soto. 2003. *The Mystery of Capital: Why Capitalism Triumphed in the West and Failed Everywhere Else*. New York: Basic Books.
- (11) Avinash K. Dixit. 2007. *Lawlessness and Economics: Alternative Modes of Governance*. Princeton: Princeton University Press.
- (12) Thomas L. Friedman. 1999 (reprint 2012). *The Lexus and the Olive Tree: Understanding Globalization*. New York: Farrar, Straus and Giroux.
- (13) Mary E. Gallagher. 2017. *Authoritarian Legality in China: Law, Workers, and the State*. Cambridge and New York: Cambridge University Press.
- (14) Avner Greif, Lynne Kiesling and John V. C. Nye (eds.) 2015. *Institutions, Innovation, and Industrialization: Essays in Economic History and Development*. Princeton: Princeton University Press.
- (15) Peter Hall and David Soskice (eds.). 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.
- (16) Gary G. Hamilton. 2006. *Commerce and Capitalism in Chinese Societies*. London: Routledge.
- (17) Usha Haley and George Haley. 2013. *Subsidies to Chinese Industry: State Capitalism, Business Strategy and Trade Policy*. Oxford: Oxford University Press.
- (18) Geoffrey Hodgson. 2015. *Conceptualizing Capitalism: Institutions, Evolution, Future*. Chicago: University of Chicago Press.
- (19) Yasheng Huang. 2008. *Capitalism with Chinese Characteristics: Entrepreneurship and the State*. Cambridge: Cambridge University Press.
- (20) Scott Kennedy (ed.) 2011. *Beyond the Middle Kingdom: Comparative Perspectives on China's Capitalist Transformation*. Stanford: Stanford University Press.

- (21) Nicholas Lardy. 2019. *The State Strikes Back - The End of Economic Reform in China?* Washington, DC: Peterson Institute for International Economics.
- (22) Ching Kwan Lee. 2018. *The Specter of Global China: Politics, Labor, and Foreign Investment in Africa*. Chicago and London: University of Chicago Press.
- (23) Benjamin L. Liebman and Curtis J. Milhaupt. (eds.) 2015. *Regulating the Visible Hand?: The Institutional Implications of Chinese State Capitalism*. Oxford: Oxford University Press.
- (24) Joel Mokyr. 2016. *A Culture of Growth: The Origins of the Modern Economy*. Princeton: Princeton University Press.
- (25) Larry Neal and Jeffrey G. Williamson (eds.). 2014. *Cambridge History of Capitalism*. Cambridge: Cambridge University Press. (two volumes)
- (26) Victor Nee and Sonja Opper. 2012. *Capitalism from Below: Markets and Institutional Change in China*. Cambridge, MA: Harvard University Press.
- (27) Minxin Pei. 2016. *China's Crony Capitalism: The Dynamics of Regime Decay*. Cambridge, MA: Harvard University Press.
- (28) S. Gordon Redding. 1990. *The Spirit of Chinese Capitalism*. Berlin & New York: de Gruyter.
- (29) S. Gordon Redding and Michael Witt. 2007. *The Future of Chinese Capitalism: Choices and Chances*. Oxford: Oxford University Press.
- (30) Dexter Roberts. 2020. *The Myth of Chinese Capitalism: The Worker, the Factory, and the Future of the World*. New York. MacMillan.
- (31) Bruce R. Scott. 2011. *Capitalism: Its Origins and Evolution as a System of Governance*. New York: Springer.
- (32) Henry X. Shi. 2014. *Entrepreneurship in Family Business: Cases from China*. New York: Springer.
- (33) Susan Shirk (ed.). 2010. *Changing Media, Changing China*. Oxford: Oxford University Press.
- (34) James Stent. 2016. *China's Banking Transformation: The Untold Story*. New York and Oxford: Oxford University Press.
- (35) Kellee S. Tsai. 2007. *Capitalism without Democracy: The Private Sector in Contemporary China*. Ithaca: Cornell University Press.
- (36) Kellee S. Tsai & Barry Naughton (eds.). 2015. *State Capitalism: Institutional Adaptation and the Chinese Miracle*. Cambridge: Cambridge University Press.

(37) Andrew Walter and Xiaoke Zhang (eds.). 2012. *East Asian Capitalism: Diversity, Continuity, and Change*. New York: Oxford University Press.

(38) Carl. E. Walter and Fraser J.T. Howie. 2012. *Red Capitalism: The Fragile Financial Foundation of China's Extraordinary Rise*. Singapore & Hoboken, NY: Wiley.

(39) Yuhua Wang. 2015. *Typing the Autocrat's Hands: The Rise of the Rule of Law in China*. Cambridge: Cambridge University Press.

(40) Richard Whitley. 1999. *Divergent Capitalisms: The Social Structuring and Change of Business Systems*. Oxford & New York: Oxford University Press.

Topics

Week 1. Introduction

Week 2. Capitalism in pre-1949 China and the Chinese diaspora

Week 3. State socialism and its legacies

Week 4. Reform, globalization, and the ICT revolution

Week 5. Varieties of statism

Week 6. Entrepreneurship, SMEs, and family business

Week 7. Corporate governance of large firms

Week 8. Labor relations and the workplace

Week 9. Relational contracting and social networks

Week 10. Contractual dispute settlement under the court

Week 11. Markets in unevenly regulated spaces

Week 12. Innovation and property rights

Week 13. Summary: Weak institutions & strong organizations

Readings (posted on Canvas)

Week 1. Introduction

Hernando de Soto. 2001. Why Capitalism Works in the West but Not Elsewhere? CATO Institute.

Peter Hall & David Soskice. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford and New York: Oxford University Press. Introduction.

Clayton S. Rose. 2015. Note on Comparative Capitalism. Harvard Business School.

Michael A. Witt, Luiz Ricardo Kabbach de Castro, Kenneth Amaeshi, Sami Mahroum, Dorothee Bohle and Lawrence Saez. 2018. Mapping the business systems of 61 major economies: A taxonomy and implications for varieties of capitalism and business systems research. *Socio-Economic Review* 16 (1): 5–38.

Week 2. Capitalism in pre-1949 China and the Chinese diaspora

Gary Hamilton. 2006. Why no capitalism in China? Negative questions in historical, comparative perspective. Chapter 2 in his *Commerce and Capitalism in Chinese Societies* (London & New York: Routledge).

John Kao. 1993. The worldwide web of Chinese business. *Harvard Business Review* March-April: 24-36.

Steven Miles 2020. *Chinese Diasporas: A Social History of Global Migration*. New York: Cambridge University Press. Introduction & Conclusion.

Barry Naughton. 2018. *The Chinese Economy: Adaptation and Growth*. Cambridge, MA: The MIT Press. Chapter 3 (“The Chinese Economy before 1949”).

S. Gordon Redding. 1990. Introduction: The overseas Chinese as an economic culture. Pp. 1-16 in S. Gordon Redding *The Spirit of Chinese Capitalism* (Berlin & New York: Walter de Gruyter).

R. Bin Wong. 2014. China before Capitalism. Pp. 125-164 in Larry Neal and Jeffrey G. Williamson (eds.), *Cambridge History of Capitalism* (Cambridge: Cambridge University Press).

Week 3. State socialism and its legacies

Chris Bramall. 2009. *Chinese Economic Development*. London & New York: Routledge. Chapter 9.

William C. Kirby; Elisabeth Koll; Regina Abrami; F. Warren McFarlan. 2008. Political and economic history of the People's Republic of China: An annotated timeline. Harvard Business School.

Yi-min Lin. 2017. *Dancing with the Devil: The Political Economy of Privatization in China*. Oxford & New York: Oxford University Press. Chapter 3.

Barry Naughton. 2018. *The Chinese Economy: Adaptation and Growth*. Cambridge, MA: The MIT Press. Chapter 4 (“The Socialist Era, 1949-1978: Big Push Industrialization and Policy Instability”).

Tony Saich. 2011. *Governance and Politics of China*. New York: Palgrave-MacMillan. Chapter 1.

Week 4. Reform, globalization and the ICT revolution

China Academy of Information and Communications Technology (CAICT). 2020. *Digital Economy Development in China*.

Council on Foreign Relations. 2022. U.S. Relations with China, 1949-2021.
<https://www.cfr.org/timeline/us-relations-china>

Loren Brandt, Debin Ma, & Thomas Rawski. 2014. From Divergence to Convergence: Reevaluation of the History behind China’s Economic Boom. *Journal of Economic Literature* 52 (1): 45-123.

Barry Naughton. 2018. *The Chinese Economy: Adaptation and Growth*. Cambridge, MA: The MIT Press. Chapter 5 (“Market Transition: Strategy and Process”).

Christine Zhen-wei Qiang. 2007. *China’s Information Revolution: Managing the Economic and Social Transformation*. Washington, DC: The World Bank.

Chenggang Xu. 2011. The Fundamental Institutions of China’s Reforms and Development. *Journal of Economic Literature* 49(4): 1076-1151.

Week 5. Varieties of statism

Lance Gore. 2019. The Communist Party-Dominated Governance Model of China: Legitimacy, Accountability, and Meritocracy. *Polity* 51 (1): 161-194.

Scott Kennedy. 2005. *The Business of Lobbying in China*. Cambridge, MA: Harvard University Press. Chapter 2.

Tarun Khanna. 2008. Fiat and Fairness Why China Can Build Cities Overnight and India Cannot? Harvard Business School.

Christopher A. McNally. 2020. Chaotic Mélange: Neo-liberalism and Neo-statism in the Age of Sino-capitalism. *Review of International Political Economy* 27 (2): 281-301.

Barry Naughton & Kellee Tsai (eds.). 2015. *State Capitalism, Institutional Adaptation, and the Chinese Miracle*. New York: Cambridge University Press. Introduction.

Margaret Pearson, Meg Rithmire, and Kellee Tsai. 2021. Party-state Capitalism in China. *Current History* September: 207-213.

Week 6. Entrepreneurship, SMEs, and family business

Thomas M. Hout & David Michael. 2014. A Chinese Approach to Management. *Harvard Business Review* (September).

Morten Bennesen, Joseph P.H. Fan, Ming Jian, Yin-Hua Yeh. 2015. The family business map: Framework, selective survey, and evidence from Chinese family firm succession. *Journal of Corporate Finance* 33: 212-225.

Jerry Cao, Douglas Cumming, and Xiaoming Wang. 2015. One-child policy and family firms in China. *Journal of Corporate Finance* 33: 317-329.

Marleen Dieleman & Jonathan Ho Wye Kit. 2012. Family Business Succession in Asia. Richard Ivey School of Business.

Kellee Tsai. 2011. Comparing China's Capitalists: Neither Democratic Nor Exceptional. Chapter 7 in Scott Kennedy (ed.). *Beyond the Middle Kingdom: Comparative Perspectives on China's Capitalist Transformation* (Stanford: Stanford University Press).

Martin King Whyte. 1996. The Chinese Family and Economic Development: Obstacle or Engine? *Economic Development and Cultural Change* 45 (1): 1-30.

Week 7. Governance of larger firms

Chongen Bai, Chang-tai Hsieh, Zeng Song, and Xin Wang. 2021. Special Deals from Special Investors: The Rise of State-Connected Private Owners in China. *NBER Working Paper Series* (No. 28170). National Bureau of Economic Research.

Raymond Fisman and Yongxiang Wang. 2015. Corruption in Chinese privatizations. *The Journal of Law, Economics, & Organization* 31 (1): 1-29.

Jie Gan, Yan Guo, Chenggang Xu. 2018. Decentralized privatization and change of control rights in China. *The Review of Financial Studies* 31 (10): 3854-3894.

Fuxiu Jiang and Kenneth A. Kim. 2015. Corporate Governance in China: A Modern Perspective. *Journal of Corporate Finance* 32: 190-216.

Meg Rithmire and Hao Chen. 2021. The Emergence of Mafia-like Business Systems in China. *The China Quarterly* (doi:10.1017/S0305741021000576).

Zhangkai Huang, Lixing Li, Guangrong Ma, and Lixin Colin Xu. 2017. Hayek, local information, and commanding heights: Decentralizing state-owned enterprises in China. *American Economic Review* 107 (8): 2455-78.

Week 8. Labor relations and the workplace

Hong Cheng, Ruixue Jia, Dandan Li, and Hongbin Li. 2019. The Rise of Robots in China. *Journal of Economic Perspectives* 33 (2): 71-88.

Sarosh Kuruvilla. 2018. From Cautious Optimism to Renewed Pessimism: Labor Voice and Labor Scholarship in China. *Industrial Relations and Labor Review* 71 (5): 1013–1028.

Ching Kwan Lee. 2016. Precarization or Empowerment? Reflections on Recent Labor Unrest in China. *The Journal of Asian Studies* 75 (2): 317 - 333

Ya-wen Lei. 2021. Delivering Solidarity: Platform Architecture and Collective Contention in China's Platform Economy. *American Sociological Review* 86 (2): 279-309.

Yi-min Lin. 2016. Transformation of Work in Post-Mao China. In Xiaowei Zang (ed.), *Understanding Chinese Society* (London: Routledge, 2nd edition), chapter 10.

Wenjia Zhuang and Feng Chen. 2015. “Mediate First”: The Revival of Mediation in Labour Dispute Resolution in China. *The China Quarterly* 222: 388-402.

Week 9. Relational contracting and social networks

John P. Alston. 1989. *Wa, Guanxi, and Inhwa*: Managerial principles in Japan, China, and Korea. *Business Horizons* (March 15).

Yanjie Bian. 2018. The Prevalence and Increasing Significance of Guanxi. *The China Quarterly* 235: 597-621.

Ronald S. Burt and Katarzyna Burzynska. 2017. Chinese Entrepreneurs, Social Networks, and Guanxi. *Management and Organization Review* 13 (2): 221–260.

Katherine Xin & Jone Pearce. 1996. *Guanxi*: Connections as Substitutes for Formal Institutions. *Academy of Management Journal* 39(6): 1641-1658.

H. Christoph Steinhardt and Jan Delhey. 2020. Socio-Economic Modernization and the “Crisis of Trust” in China: A Multi-level Analysis of General and Particular Trust. *Social Indicators Research* 152: 923–949

Wilfried Vanhonacker. 2004. When Good Guanxi Turns Bad. *Harvard Business Review* (April): 18-19.

Week 10. Contractual dispute settlement under the court

Donald C. Clarke, Peter Murrell, and Susan Whiting. 2008. The Role of Law in China’s Economic Development. Pp. 375- 428 in Loren Brandt and Thomas Rawski (eds.). *China’s Great Economic Transformation*. New York: Cambridge University Press.

Ethan Michelson. 2007. Lawyers, Political Embeddedness, and Institutional Continuity in China’s Transition from Socialism. *American Journal of Sociology* 113 (2): 352-414.

Bo Li and Jacopo Ponticelli. 2020. Going bankrupt in China. *NBC Working Paper Series* (27501). National Bureau of Economic Research.

Ling Li. 2016. The Chinese Communist Party and People's Courts: Judicial Dependence in China. *The American Journal of Comparative Law* 64 (1): 37-74.

Zhuang Liu, T.J.Wong, YangYi, and Tianyu Zhang. 2022. Authoritarian Transparency: China's Missing Cases in Court Disclosure. *Journal of Comparative Economics* (<https://doi.org/10.1016/j.jce.2021.09.001>)

Yuhua Wang. 2015. *Tying the Autocrat's Hands: The Rise of The Rule of Law in China*. New York: Cambridge University Press. Conclusion.

Week 11. Markets in unevenly regulated spaces

Roselyn Hsueh. 2015. State Capitalism, Chinese-Style: Strategic Value of Sectors, Sectoral Characteristics, and Globalization. *Governance. An International Journal of Policy, Administration, and Institutions*.

Xiangyu Shi, Tianyang Xi, Xiaobo Zhang, and Yifan Zhang. 2021. “Moving Umbrella”: Bureaucratic Transfers and the Movement of Interregional Investments in China. *Journal of Development Economics* 153: 1-10.

Junxue Jia, Guangrong Ma, Cong Qin, and Liyang Wang. 2020. Place-based policies, state-led industrialisation, and regional development: Evidence from China's Great Western Development Programme. *European Economic Review* 123: 1-21.

Yi Lu, Jin Wang, and Lianming Zhu. 2019. Place-based policies, creation, and agglomeration economies: Evidence from China's economic zone program. *American Economic Journal: Economic Policy* 11 (3): 325-60.

Jin Wang. 2013. The economic impact of special economic zones: Evidence from Chinese municipalities. *Journal of Development Economics* 101: 133-147.

Week 12. Innovation and property rights

Regina Abrami, William Kirby, and F. Warren MacFarlan. 2014. Why China Can't Innovate and What It's Doing about It? *Harvard Business Review* (March): 107-111.

Zak Dychtwald. 2021. China's New Innovation Advantage. *Harvard Business Review*: May-June.

Jianqiang Li, Yaowen Shan, Gary Tian, and Xiangchao Hao. 2020. Labor cost, government intervention, and corporate innovation: Evidence from China. *Journal of Corporate Finance* 64 (3): 1-28.

Yi Lu, Zhigang Tao, and Zhu, L. 2017. Identifying FDI spillovers. *Journal of International Economics* 107: 75-90.

Stanford Graduate School of Business & HKUST. 2010. *Shanzhai* ("bandit") Mobile Phone Companies: The Guerrilla Warfare of Product Development and Supply Chain Management. Case: GS-75.

US-China Economic and Security Review Commission. 2019. Staff Research Report: How Chinese Companies Facilitate Technology Transfer from the United States.

Week 13. Summary

Hal Brands and Michael Beckley. 2021. China Is a Declining Power – and That's the Problem. *Foreign Policy*, September 24.

Rafael Di Tella, Meg Rithmire & Kaitlyn Szydlowski. 2015. Governing the "Chinese Dream": Corruption, Inequality and the Rule of Law. Harvard Business School.

Thomas Fingar and Jean C. Oi. 2020. China's Challenges: Now It Gets Much Harder. *The Washington Quarterly* 43 (1) (March): 65-82.

Weijian Shan. 2021. Americans Don't Know How Capitalist China Is. *Harvard Business Review*: May-June.

Michael Witt. 2019. China's Challenge: Geopolitics, De-Globalization, and the Future of Chinese Business. *Management and Organization Review* 15 (4): 687-704.