

## Econ 162: Mid-Term Review

Mid-term exam coverage:

Lecture notes: topics 1-7

Chapters in the textbook: introduction, 1-6, 10-15

Mid-term exam requirements:

A close-book exam

1 hour and 15 minutes: 4:15-5:30

Location: 390 Hearst Mining

Review questions:

1. What are the major geographical similarities and differences when China is compared with the U.S. and India? What are the geographical advantages and disadvantages for China's economic development?
2. In 1840, there was a major event in China's modern history involving international trade. How had this event changed China?
3. Before 1949 there were two distinct patterns of economic development in China. Explain.
4. Was China's reform performance anticipated by the economists and political scientists in the 1980s? Why?
5. China's economic reform has evolved in two stages between 1979 and 2001. Describe the major themes of each and the differences between the two.
6. What were the main elements of the development strategy in the 1950s? What were the major achievements and problems?
7. Give the three common systemic features of the socialist system shared by China and the Soviet Union. What have been changed and what have not in China since the reform?
8. Explain the differences and similarities between state ownership and collective ownership of firms in China.
9. Was the price set under central planning to equate supply and demand? In which way prices under central planning were often distorted? Why?
10. Explain how the plan output target could lead to bad production decisions under central planning.

11. Compare the central planning in China with that in the Soviet Union. Give some of the major differences.
12. Could regional decentralization in China be attributed solely to its low level of development stage? Explain.
13. Is the urban and rural divide in China a natural result of market competition? Explain.
14. What are the possible ways in which the official data on China's growth could be wrong?
15. Specify and explain the conditions under which the projections of China's GDP will over take that of the U.S. in 20 years?
16. Describe the structural changes in labor allocation and GDP components respectively over the past 20 years and explain the forces behind those changes.
17. Does an increase in capital input lead to an increase in labor productivity? Does an increase in capital input lead to an increase in total factor productivity? In the context of China in the 1980s, what caused the increase of its total factor productivity?
18. What are the major differences in the growth accounting estimations between China and the U.S. (hint: examine both the production function and input growth)?
19. Did the peasants own the land under the household responsibility system? Why was the work point system under collective farming not efficient and why did the household responsibility system improve agriculture production?
20. What are Lester Brown's arguments for China to import massive amount of grain in the near future? What are the others' arguments?
21. Why did China import and export grain at the same time? Why is China a net grain import country? Will this continue in the near future?
22. What are the conditions for the Green Revolution crops to produce high yields? Where are these conditions easier to be met, Northern or Southern China?
23. What are the major explanations for the agriculture production increase in 1978-84? What are the explanations in 1984-87?
24. In what ways is the distinction between "non-state ownership" and "private ownership" important in China? Explain it by using the example of TVE.
25. Why are TVEs a puzzle? Explain it by their unique ownership features and the economic and institutional environment in China in the 1980s.

26. Why couldn't private enterprises compete with TVEs in the 1980s? Why couldn't TVEs compete with private enterprises after mid-1990s?
27. In the early 1980s, what were the favorable and unfavorable conditions for new firms to enter a market? How did these conditions change in the late 1990s?
28. What are the major themes of SOE reform in the 1980s and 1990s respectively? What underlying conditions have changed between the two periods?
29. Were SOE managers under the "managerial contract responsibility" system interested in increasing profits? What were the problems?
30. What is the "soft budget constraint" and what are its consequences?
31. What is the nature of the "soft budget constraint?" Why is it more a problem of socialist and transition economies than a market economy?
32. How did *Xiagang* (furlough) work? Why does China use it to restructure SOEs?
33. What is the universal problem of corporate governance? What kind of laws address this issue and in which way?
34. What are the special problems of corporate governance in China in addition to the usual agency problem?
35. Why is corporate governance reform in China particularly difficult even for those companies already listed on the New York Stock Exchange? Explain.