

## Answers Multiple Choice questions – Practice – Barry Naughton book

### Chapter 1

1. The Aihui-Tengchong line:
  - a. To the northeast of it, there's plenty of farmland.
  - b. **To the northwest of it, there's not enough water.**
  - c. To the southeast of it, the arable land per capita is much lower.
  - d. To the southwest of it, the minority population is bigger than the Han ("ethnically Chinese") population.
  
2. Traditionally, China's land borders have been rugged and remote, so that most economic transactions have been through the coast. That may be changing, though. Which of the following is NOT likely to be a part of this process:
  - a. Dams, highways, and railroads push into Southeast Asia
  - b. Development of Western China creates links to Kazakhstan and the other 'Stans
  - c. Economic relations with India increase overland traffic.
  - d. Oil and gas pipelines will get built from Russia.
  - e. **ALL of the above are likely.**
  
3. All of the following are true EXCEPT: As a densely-populated, resource-poor country, China's need for natural resources
  - a. Generates suspicion among its neighbors who worry about China's development objectives;
  - b. **Means that China cannot be as open to foreign trade as were earlier developing resource-poor East Asian economies.**
  - c. Distorts the government's goals for developing the Western region, overstressing natural resource development, at the expense of human resources;
  - d. Forces Chinese policy-makers to develop a multi-stranded approach to energy resources to reduce excess dependence on a single sources;
  - e. Pushes China to improve relations with resource-rich countries and regions.
  
4. The most developed part of China is:
  - a. **The Lower Yangtze macroregion**
  - b. The Upper Yangtze macroregion
  - c. Manchuria
  - d. The North China Plain

### Chapter 2

5. During the 1920s-1940s, there were two types of industrialization occurring in China, "Treaty Port Industrialization" (as in Shanghai) and Japan-sponsored "Manchurian industrialization." The relationship between the economic developments strategies in Treaty Port Industrialization compared to Manchurian Industrialization is similar to the relationship between development strategies in:
  - a. Japan compared to Taiwan
  - b. Taiwan compared to the PRC
  - c. **The PRC compared to Hong Kong**
  - d. The USSR compared to China
  - e. China compared to the US

6. China's traditional economy:
  - a. Was top-heavy, because of the weight of the Imperial bureaucracy.
  - b. Had contracts and courts to resolve economic disputes.**
  - c. Supported a large aristocracy that owned huge landed estates.
  - d. Had a highly productive agriculture, as measure by the output/labor ratio.
  - e. Was undergoing a boom just when the foreigners arrived in the 19<sup>th</sup> century.
  
7. Some contemporary economic phenomena might be thought of as the re-emergence of China's traditional "bottom heavy" economy. That includes all the following EXCEPT:
  - a. Pig farming
  - b. The Wenzhou model of TVEs**
  - c. Growing service sector share of GDP
  - d. Industrial clusters
  - e. The urban informal sector

### Chapter 3

8. If we think of an economy as many bundles of value chains, we can describe development strategies followed in China since 1949 in the following ways:
  - a. The normal thing would be to start at the top and methodically work your way downstream; China under Mao started at the bottom and worked up.
  - b. China was cut off from world markets after the 1950s, so it would have been more difficult for it to focus on the downstream end of the value chain;
  - c. Like other socialist countries, China started with the strategic industries in the middle of the value chains; but there were opportunities to go downstream after reform.
  - d. Lacking abundant natural resources, China had no choice but to concentrate on heavy industries.
  - e. b and c are both true.**
  
9. Put these periods into their proper sequence.
 

A. Death of Mao; B. Great Leap Forward; C. First Five Year Plan; D. Cultural Revolution; E. The Hundred Flowers

  - a. B. C. D. E. A
  - b. E. C. B. D. A.
  - c. C. E. B. D. A.**
  - d. C. B. D. A. E.
  - e. B. C. D. A. E.
  
10. By giving priority to heavy industry, China under Mao
  - a. Specialized in industries that would grow at above-average rates, thereby maximizing the overall growth rate.
  - b. Learned how to economize on scarce capital
  - c. Sacrificed an opportunity to build a strong national defense
  - d. Invested in industries with the most upstream and downstream linkages.**
  - e. Both (b) and (d) are true.

11. The “Third Front” refers to
- The simultaneous struggle against Japanese, English, and US imperialism,
  - Today’s technological revolution, building on the earlier Industrial Revolution, and the Electric/Chemical revolution.
  - The third area to build industries, in remote, mountainous areas of inland China.**
  - The struggle for scientific knowledge, following the struggle for subsistence, and the struggle for political power.
  - The Northeast, the third area where foreign investment is now flowing in, after starting in Guangdong, and then moving to the Yangtze Delta.
12. The legacy of the socialist era to the post-1978 market economy includes
- The dynamism of small-scale household businesses
  - The vitality of the traditional links with parts of “maritime China” (Hong Kong and Macao)
  - The massive industrialization of inland provinces
  - Pervasive and rapidly increasing inequality.
13. The Great Leap Forward
- Was the worst famine of the twentieth century.
  - The effects of it are still visible in the age composition of the Chinese population today.
  - The severity of it was hidden from the world for twenty years.
  - Was especially severe in a few inland provinces.
  - All of the above.**

#### **Chapter 4**

14. Which of the following was NOT a significant part of the industrial reform strategy during the 1980s:
- Entry of new producers
  - Privatization**
  - Incentivization
  - Increased autonomy for SOEs.
  - Dual-track markets.
15. The 1980s reforms are characterized by
- Dual-track strategy
  - “Reform without losers”
  - Decentralization of authority
  - All of the above**
16. Motivations for the second phase of reform after 1993 include:
- The dismantling of the planned economy was not rapid enough
  - The first-phase reforms were characterized by “two steps forward, one step back”
  - The growing number of losers
  - Particularistic contracts induced corruption and distortions that had to be ended through uniformisation and regulation**

**Two Periods of Economic Reform** (Use This paper). It is possible to divide the entire process of economic reform and transition into two periods, Period I (the '80s, broadly defined, from 1978-1993) and Period II (End 1993 through the present). For EACH of the following characteristics, assign them to the appropriate period by clearly marking a I or II in front of each:

- a. "Reform without Losers" **I**
- b. Privatization **I**
- c. Product Markets **I**
- d. Inflation **I**
- e. Level Playing Field **II**
- f. Breaking the Iron Rice Bowl **II**
- g. Corporatization **II**
- h. Centralization of resources **II**