

AEDE/IS 539
Quiz 4

Name: _____

Circle the correct answer:

1. Township and village enterprises (TVEs) evolved out of:
 - a. State-owned enterprises (SOEs)
 - b. Urban collectives
 - c. Rural communes**
 - d. Small private firms

2. At the end of the Maoist era, the Chinese countryside lacked:
 - a. Industries such as iron and steel, and cement
 - b. Small-scale non-agricultural activities**
 - c. Suppliers of producer goods to agriculture
 - d. An irrigation infrastructure

3. TVEs specialized in sectors with:
 - a. High capital to labor ratios
 - b. High land to labor ratios
 - c. Low capital to labor ratios**
 - d. High capital to land ratios

4. Local governments were willing to act as financial guarantors to TVEs:
 - a. True**
 - b. False

5. TVEs mostly evolved in:
 - a. Remote rural areas
 - b. Tibet
 - c. Suburban areas/city hinterlands**
 - d. Hong Kong and Macau

6. A key feature of the Pearl River Delta model of TVEs was:
 - (a) Production of simple goods such as buttons
 - (b) Eventual development into corporate villages
 - (c) Development through foreign investment**
 - (d) More capital-intensive than other TVE models

7. The Wenzhou model of TVEs was strongly influenced by urban connections:
- (a) True
 - (b) False**
8. As Chinese urban incomes have risen, TVEs have been:
- (a) Unable to supply higher-quality consumer goods**
 - (b) Able to supply higher-quality consumer goods
 - (c) Unable to supply simple consumer goods
 - (d) Able to supply simple and higher-quality consumer goods
9. Since 1995, collectives have accounted for what percentage of TVE employment?
- (a) More than 50%
 - (b) Less than 10%**
 - (c) More than 25%
 - (d) Between 75 and 90%
10. Local public ownership of TVEs:
- (a) Protected central government interests from local expropriation
 - (b) Protected local interests from central government expropriation**
 - (c) Protected local interests from local government expropriation
 - (d) Protected local government interests from local expropriation
11. *Insider* privatization of TVEs in China has been very common:
- (a) True**
 - (b) False
12. The industrial cluster in Zhuji municipality in Zhejiang province accounts for 35% of the global production of:
- (a) Beer
 - (b) I-Pods
 - (c) Socks**
 - (d) Rubber bands

For an extra 2 points: Explain the economic logic of “privatization with a tail” as applied to TVEs: **To stop managers offering a low price for a firm, when they know it will be profitable in the future, they can either buy the firm outright at a high price today, or pay a low price today, and then pay a share of the profits to local governments for a period of 5-10 years – the objective is to get managers to reveal what they think the firm is really worth.**