

Course Form for PKU Summer School International 2018

Course Title	Introduction to Chinese Economy
	中国经济导论
Teacher	QIN Xuezheng
First day of classes	July 2, 2018
Last day of classes	July 27, 2018
Course Credit	2 credits
Course Description	
Objective:	
<p>China's fast economic growth has generated great interest among media, scholars and ordinary people around the world. The aim of this course is to provide the students with an overview of China's economic development and its role in the world economy. Theoretical knowledge and empirical analyses will be used to help the students understand China's economic transition process. The topics covered include the history of a modern Chinese economy, the principles that guided China's institutional reforms, the transitional paths in its agricultural, industrial, financial and foreign sectors, and the multi-dimensional challenges confronting China's future economic growth. Upon completion of the course, students are expected to be familiar with China's economic system, its current economic reforms, and the challenges that the country faces in the twenty-first century.</p>	
Pre-requisites /Target audience	
<p>A university-level introductory course in Economics (e.g. Principles of Economics).</p>	
Proceeding of the Course	
<p>The course will be delivered through a mix of lectures, student presentations and debates. Students' participation is strongly encouraged.</p>	

Assignments (essay or other forms)	
<p>Reading assignments will be given for each lecture, and students will be requested to write a term paper on a topic related to the Chinese economy.</p>	
Evaluation Details	
<p>Class Participation: 20% Team Debate: 30% Final Term Paper: 50%</p>	
Text Books and Reading Materials	
<ul style="list-style-type: none"> • Naughton, Barry, 2007, <i>The Chinese Economy: Transitions and Growth</i>, 2nd edition, MIT Press, Cambridge. (required) • World Bank and Development Research Centre of the State Council China, 2013. <i>China 2030: Building a Modern, Harmonious, and Creative Society</i>. World Bank Publication, Washington, DC. (optional) • Lin, Justin Y., 2012. <i>Demystifying the Chinese Economy</i>. Cambridge University Press, Cambridge, UK. (optional) 	
Academic Integrity (If necessary)	
<p>Plagiarism is strictly prohibited in this course. Plagiarism is defined as presenting others' work as one's own. Any ideas or materials taken from another source must be fully acknowledged, unless the information is common knowledge. Any evidence of plagiarism will lead to zero credit to your work submitted and will be reported to university authorities.</p>	
CLASS SCHEDULE (Subject to adjustment)	
Session 1: Overview and Historical Background of the Chinese Economy	Date:
<p>【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.)</p> <p>This session provides the students with an overview of the Chinese Economy. We will look at the country's unique geographical and demographic landscape, its economic macro regions and the diverse economic development in different areas. We will then go back to China's ancient history and discuss why China lost its economic lead in the 19th century (the Needham puzzle). The session finishes with a detailed coverage of the Chinese economy under the centrally planned system (1949-1978), which sets the stage for the country's post-1978 economic transition towards a market economy.</p>	

【Questions】	
【Readings, Websites or Video Clips】 <ul style="list-style-type: none"> Chapter 1-3 of Naughton (2007) Lin, J. Y., 1990. "Collectivization and China's Agricultural Crisis in 1959-1961," <i>Journal of Political Economy</i>, 98(6): 1228-52. 	
【Assignments for this session (if any)】	
Session 2: China's Economic Transition: A General Discussion	Date:
【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.) <p>Since the founding of the People's Republic of China (PRC) in 1949, China has undergone an unusual and tumultuous development process, passing through revolution, socialism, and Maoist radicalism, and then gradualist economic transition and rapid economic growth. It is now clear that the Chinese approach of incremental reform and steady economic progress has succeeded in practice. Following an approach that has been called "crossing the river by groping for stepping-stones," China has evolved from one of the world's most isolated socialist states to a powerhouse of the global economy. While there have been undeniable stresses and strains associated with this transformation, perhaps the most remarkable fact is that this enormous distance has been traveled with relatively little large-scale conflict and relatively lower social costs than other transitional economies. This lecture will offer a general overview of this transition process and the strategies that guided the economic reforms in China. We will also discuss the emerging challenges that the country faces today that necessitate its further economic transition.</p>	
【Questions】	
【Readings, Websites or Video Clips】 <ul style="list-style-type: none"> Chapter 4 and 5 of Naughton (2007) Lin, J. Y. and Rosenblatt D., 2012. "Shifting Patterns of Economic Growth and Rethinking Development," <i>Journal of Economic Policy Reform</i>, 15(3): 171-194. 	
【Assignments for this session (if any)】	
Session 3: Economic Growth and Structural Change	Date:
【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.) <p>This session focuses on China's economic growth and the achievements and challenges of China's growth model. We start by discussing the measures of China's economic growth and how its post-reform growth performance compares with the other countries. We then use the macroeconomic theories and empirical data to explain the driving forces behind China's rapid growth, using India as comparison. This is followed by a detailed discussion</p>	

on the “middle income trap” and the factors that may prevent China from growing into a high-income status, including the economic structural imbalance, enlarging inequality in income and other dimensions of human development, under-investment in human capital and social infrastructure, and the demographic, environmental and external challenges faced by the country. Policy options will be discussed that may help China meet these challenges.

【Questions】

【Readings, Websites or Video Clips】

- Chapter 6 of Naughton (2007)
- Nabar, M. and Yan, K., 2013. "Sector-Level Productivity, Structural Change, and Rebalancing in China." *IMF Working Paper*, WP/13/240.

【Assignments for this session (if any)】

Session 4: Rural Reform and Agricultural Development	Date:
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【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.)

In this session, we will focus on the reforms of China’s rural sector. An overview of China’s agricultural tradition is followed by a discussion of the three major waves of land reforms after 1949, with special attention paid to the household responsibility system (HRS) after 1978 and the reforms of land trading systems after 2008. We will also look at the issues of the migrant worker population and the academic debate over the Lewis turning point. The coverage of China’s agricultural innovation and growth completes the session.

【Questions】

【Readings, Websites or Video Clips】

- Chapter 10-12 of Naughton (2007)
- Deng, H., Huang, J., Xu, Z. and Rozelle, S., 2010. “Policy Support and Emerging Farmer Professional Cooperatives in Rural China,” *China Economic Review*, 21(4): 495–507.

【Assignments for this session (if any)】

Session 5: Reform of State-owned Enterprises (SOE) and Industrial Transition	Date:
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【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.)

In this session, we will focus on the reforms of China’s industrial sector. A background introduction of China’s State-owned Enterprises (SOE) is followed by a discussion on the strategies and paths of the SOE reforms. Special attention is paid to the historical and current problems within China’s SOE sector from the theoretical perspective of corporate governance. In addition, we will discuss the development strategies in China’s technology

sector and the country's future prospect on industrial and technological innovation.

【Questions】

【Readings, Websites or Video Clips】

- Chapter 13-15 of Naughton (2007)
- Sun, P., 2007. "Is the State-led Industrial Restructuring Effective in Transition China? Evidence from the Steel Sector," *Cambridge Journal of Economics*, 31(4): 601–624.

【Assignments for this session (if any)】

Session 6: Labor Market and Human Capital

Date:

【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.)

This session takes an overview of China's labor market and the related issues. It starts with a descriptive analysis of China's labor force and demographic trends, followed by a detailed discussion on the government's population control policies (including the One-child Policy). We will then examine several special issues in China's labor market, such as the Hukou regime, the labor migration, the return to human capital, etc. The session finishes with a detailed discussion on China's education reforms and the reforms of social security system.

【Questions】

【Readings, Websites or Video Clips】

- Chapter 8 of Naughton (2007)
- Meng, X., 2012. "Labor Market Outcomes and Reforms in China." *Journal of Economic Perspectives*, 26(4): 75-102.

【Assignments for this session (if any)】

Session 7: Reform of the Health Care Systems

Date:

【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.)

This session is dedicated to China's health care system (including health insurance system) reforms. The first part of the lecture focuses on the transition process of the health care system in China since 1949, which can be divided into three phases. The second part of the lecture discusses the main content of the new health care reforms in China after 2009, with an emphasis paid to its guiding principles in striking a balance between government and market as well as its demand- and supply-side measures. In the third part, we will discuss the future challenges faced by China's health care systems and the "Healthy China" initiative, which draws a roadmap in achieving a patient-centered integrated health care system by 2030.

【Questions】	
【Readings, Websites or Video Clips】 <ul style="list-style-type: none"> • Yip W, Hsiao W, Chen W, Hu S, Ma J, Maynard A. (2012). Early appraisal of China's huge and complex health care reforms. <i>The Lancet</i>, Vol. 379, 833-842. 	
【Assignments for this session (if any)】	
Session 8: Reform of Fiscal and Financial Systems	Date:
【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.) <p>In this session, we will elaborate on China's fiscal and financial reforms. The first part of the lecture focuses on the 1994 fiscal reforms in China, which redefined the central-local fiscal relationship between the governments. The second part of the lecture discusses China's financial system, with emphasis paid to the issues of financial deepening and financial broadening. We will also discuss the current challenges and future reform directions in China's fiscal and financial sectors, such as the formalization of tax redistribution and government borrowing, the deregulation of the banking sector and the strengthening of the capital markets.</p>	
【Questions】	
【Readings, Websites or Video Clips】 <ul style="list-style-type: none"> • Chapter 18 and 19 of Naughton (2007) • Berger, A., Hasan, I. and Zhou, M., 2009. "Bank Ownership and Efficiency in China: What Will Happen in the World's Largest Nation." <i>Journal of Banking & Finance</i>, 33: 113-130. 	
【Assignments for this session (if any)】	
Session 9: Opening Up to International Trade	Date:
【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.) <p>In this session, we will focus on China's foreign trade sector, which is one of the major driving forces of China's legendary economic growth. An overview of China's export and import structure is followed by a detailed introduction to the strategies and paths of China's foreign trade reforms. Special attention is paid to the country's gradualist approach to trade liberalization and the new challenges faced by China's trading sector in the post-WTO era.</p>	

Empirical evidence will be analyzed in conjunction with economic theories that provide insights on China's trading policies and the related issues such as the Sino-US trade dispute.

【Questions】

【Readings, Websites or Video Clips】

- Chapter 16 of Naughton (2007)
- Amiti, M. and Freund, C., 2010. "The Anatomy of China's Export Growth," in Feenstra, R. C. and Wei, S. J. (ed.), *China's Growing Role in World Trade*, University of Chicago Press, Chicago, IL.

【Assignments for this session (if any)】

Session 10: Inflow and Outflow of Foreign Direct Investment (FDI)

Date:

【Description of the Session】 (purpose, requirements, class and presentations scheduling, etc.)

In this session, we will discuss China's inward and outward foreign direct investment (FDI). A general introduction of China's FDI inflows is followed by a detailed discussion on the process, causes and consequences of the FDI reforms. We will then discuss China's outward FDI efforts (the "go global" strategy), its motivation and the current challenges.

【Questions】

【Readings, Websites or Video Clips】

- Chapter 17 of Naughton (2007)
- Chen, C., 2009. "Inflow of Foreign Direct Investment," in Garnaut, R., Song, L. and Woo, W. T. (ed.), *China's New Place in a World in Crisis: Economic, Geopolitical and Environmental Dimensions*, Australian National University E Press, Canberra, Australia.

【Assignments for this session (if any)】