

University of Cincinnati
Economy of China, ECON 3083
Tentative Syllabus

Instructor: Hao Guo

Section 001
TR 6:00-9:00 p.m.

Summer 2016
Classroom: LINDER 110

Office Hours: TR 5:00 p.m. – 6:00 p.m. by appointment
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Course website: Blackboard/Canopy

Course Description

China is now world's 2nd largest economy in terms of real GDP, and it has surpassed the US as world's largest economy in terms of purchasing power parity (PPP) adjusted GDP (estimated by IMF). Back to 35 years ago, it is still among the poorest countries in the world. The speed of its growth and the magnitude of the economy are both remarkable and will have significant influences on world economy. Thus, how to understand China's economy and its role in world economy is important not only to China itself, but also to the rest of the world.

This course includes two parts. The first part talks about the evolution of Chinese economy since it began to industrialize, with a focus on the economic reform after 1978. The second part covers a variety of topics on today's Chinese economy, ranging from political and economic institutions to current development issues such as regional inequality, migration, urbanization and environmental problems.

Student Learning Outcomes

Students are expected to have a general understanding of the China's economy and be aware of the differences between China and the West. Students should know the economic reforms happened and are happening in China. Students are encouraged to explore more of the topics they are interested in, and are encouraged to think about how China's economic success can be applied to other developing countries and how the rise of China will affect the world's economic and political structure.

Hopefully, this course will ignites your interests in China, and attracts you to explore more about China, whether it is reading a book about China, paying a visit to China, or even starting your career in China.

Course Materials

*Barry J. Naughton. *The Chinese Economy: Transitions and Growth*, the MIT press, 2007

Brandt, Loren, and Thomas G. Rawski, eds. *China's great economic transformation*. Cambridge University Press, 2008.

The Naughton book gives an excellent overview of China's economic reform and Chinese economy today (at least by 2005). The lectures I give will follow closely with this book. The Brandt & Rawski book is a collection of review papers written by experts on Chinese economy from a variety of fields, and is of more depth and detail. Most of the articles in this book can be found online.

Evaluation Criterion

This course will be a combination of lectures, student presentations, in-class discussions and article reading. The success of the class depends heavily on student participation. There is no final exam. Instead, students are evaluated according to their performance in the class, presentation, and 2 article reviews. The evaluation criterion are as follows:

Class Participation (30%)

Prior to each class you are expected to have read the required readings for that day. Asking informed questions, offering thoughtful comments, and answering questions in class will certainly improve your participation grade. Simply attending class does not guarantee full grade on lecture participation. This part is worth 10 points.

Students who do not present that day are required to grade, and make oral or written comments on other groups' presentation. If the comments and questions are in writing, I may address them at the beginning of the following class if necessary. This part is worth 10 points.

During the course, we will have 3 or 4 in-class quiz. The quiz will be about what we have learnt in the previous classes. This part is also worth 10 pts.

Presentation (40%)

At the beginning of the course, I will assign each two or three of you into a group. Each group will need to choose a topic and do a 15-20 min presentation to the class. The group is also required to hand in the PowerPoint slides **before** presentation as part of the grade. Student peer grading accounts for 50% of the total grade and my grading accounts for 50%.

Academic article review (15%)

I will assign you a literature review article on a specific topic about Chinese economy, and you are required to write a report based on the paper and what we have learnt in this class. The report should be about **2 pages** (double spaced) in length.

News article report (15%)

Pick a news article from *WSJ*, *The Economist*, *The NY Times*, and other major newspapers and magazines, and write a one-page comment or critique using what you learn from this course or your own thoughts. Your comment/explanation article should be double-spaced, and be around **one page** in length.

Grading scale:

A	≥ 90%
B	80%-89%
C	70%-79%
D	60%-69%
F	< 60%

Excused Absences

The University defines the following as excused absences: serious illness, illness or death of family member; University-related trips; and major religious holidays. In each case, appropriate verification may be required. Students missing assignments due to an excused absence bear the responsibility of informing the instructor about their excused absence within one week following the period of the excused absence (except where prior notification is required).

Grievance Procedure

Anyone feeling that a dispute exists after the grading of an exam or quiz may submit a written grievance. The grievance should identify the item in dispute and provide arguments supporting the student's position. Grievances must be submitted within two class periods following the return of the exam or quiz. Attach your entire exam or quiz to the grievance.

Academic Integrity Policy:

The University Rules, including the Student Code of Conduct, and other documented policies of the department, college, and university related to academic integrity will be enforced. Any violation of these regulations, including acts of plagiarism or cheating, will be dealt with on an individual basis according to the severity of the misconduct. (https://www.uc.edu/conduct/Academic_Integrity.html)

Special Needs Policy

If you have any special needs related to your participation in this course, including identified visual, hearing and/or physical impairment, communication disorder, and/or specific learning disability that may influence your performance in this course, you should meet with the instructor to arrange for reasonable provisions to ensure and equitable opportunity to meet all requirements of this course. At the discretion of the instructor, some accommodations may require prior approval by Disability Service:

<http://www.uc.edu/aess/disability.html>

Topic Outline and Reading List

1.Class overview (6/23)

Why should you care about China? What role does China play in the world economy? How would the rise the China affect the world economy and what could China offer to the rest of the world? All these questions are interesting and are worth thinking about.

2.The Evolution of Chinese Economy

Ancient China was prosperous and contributed many technological advancements to the world. The old empire, however, had fallen behind since the industrial revolution. China had been struggling to change since it was forced to open up after the 1st opium war against the UK. The process of modernization is long and painful. Why did the reform in late Qing dynasty failed and how did China end up going to the road of

communism? How did the socialism experiment work and how can we evaluate the achievements and failures of the socialist economy?

The economic reform in 1978 marked a new era of China's economic development. The economic reform has transformed China into a market economy and pulled millions out of poverty. How did this reform happen and what has been done since the reform? Why is the incremental reform so successful and what lessons can be learnt from China?

Readings:

(6/28):

- Naughton: Chapter 2-3

(6/30):

- Naughton: Chapter 4

3. Economic System

Political Economy (7/5)

Some say China is a communist country; some say it is capitalism. How do we see today's China? To understand China's economy, one must first understand China's political structure, and try to understand how the political arrangement affects economic performance of China.

Readings:

- Xu, Chenggang. "The fundamental institutions of China's reforms and development." *Journal of Economic Literature* 49.4 (2011): 1076-1151.

Fiscal system (7/7)

One important feature of China is political centralization and economic decentralization. For China, the share of fiscal expenditure by sub-national governments is among the highest level in the world. How does the fiscal system work? How does the fiscal revenue and fiscal expenditure divide between central and local governments? Why did the reform provide incentives for local government to develop local economy? And what are the shortcomings of the current fiscal arrangement?

Readings:

- Montinola, Gabriella, Yingyi Qian, and Barry R. Weingast. "Federalism, Chinese style: the political basis for economic success in China." *World politics* 48.01 (1995): 50-81.
- Martinez, Jorge, et al. "An Essay on Public Finance in China." *Annals of Economics and Finance* 15.1 (2014): 289-405.

International Trade (7/12, 7/14)

China is now the world's largest exporter and 2nd largest importer. Opening up has been considered as a key factor for China's economic success. How did China gradually open up its trading system and why does China's export grow so fast? What impacts does China have on the global trading system?

Readings.

- Naughton: Chapter 16, 17
- Brandt: Chapter 16.

4. Current Issues

Regional Inequalities (7/19)

Deng Xiaoping, the man who led the reform of China, once said: "we must let some regions (and some people) to grow rich first. Let the rich regions help the poor regions and finally achieve common prosperity". After some 35 years of reform, some regions did become rich, but the poor regions are still poor. The economic

development level between the east and west is huge. What factors leads to the regional difference in economic development? What can be done to decrease the regional inequality?

Readings:

- Démurger, Sylvie, et al. "Geography, economic policy, and regional development in China." *Asian Economic Papers* 1.1 (2002): 146-197.
- *Demurger, Sylvie, et al. "The relative contributions of location and preferential policies in China's regional development: being in the right place and having the right incentives." *China Economic Review* 13.4 (2002): 444-465.
- Lai, Hongyi Harry. "China's western development program: Its rationale, implementation, and prospects." *Modern China* 28.4 (2002): 432-466.

Hukou and Internal Migration (7/21)

The house registration system (Hukou) was set up in the communist era to restrict free migration. Although the Hukou is less important today, it is still linked with many social welfare that are only accessible to people with local Hukou. With more and more people leave agriculture to work in the factories and people migrate across regions, how does the Hukou system affect internal migration? What are the recent trends of Hukou reform?

Readings

- *Naughton: Chapter 5
- *Chan, Kam Wing, and Li Zhang. "The hukou system and rural-urban migration in China: Processes and changes." *The China Quarterly* 160 (1999): 818-855.
- Chan, Kam Wing, and Will Buckingham. "Is China abolishing the hukou system?" *The China Quarterly* 195.1 (2008): 582-605.

Urbanization (7/26)

During the past 30 years, millions of people moved from villages to cities, and the process is ongoing. The urbanization of China will totally change the country's landscape. We will look at several issues during the process of urbanization. How does the Hukou system restrict the size of cities? Does the current government-lead urbanization leads to over-expansion of cities? Is there a housing bubble in Chinese real estate market?

Readings

- *Brandt: Chapter 19
- Chan, Kam Wing. "What is the true urban population of China? Which is the largest city in China." (2012).
- Economist Intelligence Unit. "Building Rome in a Day: The Sustainability of China's Housing Boom." (2011).

Demographic Change (7/28)

Fertility rate in China has decreased significantly since the 1960s. Whatever reason it is, the demographic dividend had contributed to the rapid economic growth of China. Now, the aging population means social welfare will become a huge burden for society, and even hinder China's economic growth. Is China's One-Child policy responsible for the aging population today? What unexpected outcome would the one-child policy bring?

Readings:

- *Naughton: Chapter 7
- *Qiao, Helen Hong. *Will China Grow Old Before Getting Rich?*. Goldman Sachs, 2006. (*for in-class discussion*)

Environmental Problems (8/2)

Growing with China's economy is its pollution. As China become the world's factory, it also produces a lot of pollution. How bad is the pollution today? How could China control its pollution? Is sustainable development a choice?

Readings

- *Jing, Chai. "Under the Dome-Investigating China's Smog." Documentary. March 1 (2015): 2015.
<https://www.youtube.com/watch?v=T6X2uwlQGQM> (watch the documentary and list the reasons of China's smog)
- Brandt: Chapter 8

5.Forecasting China's Economic Future (8/4)

China has achieved great success in the past 35 years. The question is, will the economic growth continue? How long will China continue its high speed of economic growth? Will China fall into the 'middle income trap'?

Readings

- *Felipe, Jesus, Arnelyn Abdon, and Utsav Kumar. "Tracking the middle-income trap: What is it, who is in it, and why?." Levy Economics Institute, Working Paper 715 (2012).
- Eichengreen, Barry, Donghyun Park, and Kwanho Shin. When fast growing economies slow down: International evidence and implications for China. No. w16919. National Bureau of Economic Research, 2011.

Course Outline

CLASS DATE	TOPICS	PRESENTATIONS
06/23-R	Class overview	
06/28-T	China's economy before 1978	
06/30-R	China's economic reform	
07/05-T	The political economy of China	
07/07-R	Fiscal systems	Group 1
07/12-T	International trade: I	Group 2
07/14-R	International trade: II	Group 3-4
07/19-T	Regional inequalities	Group 5
07/21-R	Internal migration	Group 6
07/26-T	Urbanization	Group 7
07/28-R	Demographic change	Group 8
08/02-T	Environmental problems and sustainable growth	Group 9
08/04-R	Forecasting China's economic growth	The remaining groups