

Econ 198: The Chinese Economy

Instructor

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Coordinates

Wednesday and Friday, 10:00-11:30am, UPSE Encarnacion Hall 127. Office hours following class or by appointment.

Content

China has sustained phenomenal economic growth over a span approaching four decades while at the same time negotiating the transition from a command economy to a market economy. This course will examine China's economic record during the reform era and assess the challenges the country now faces. The course is in the main organized topically. First though, we will lay foundations by shaping an image of the Chinese economy at the outset of reform and then framing China's stark rural-urban dichotomy and the process of structural change. Foundations thus laid, the topic sequence is as follows: population and employment; agriculture and rural development; enterprise ownership, governance, and performance; the financial system; international trade and payments; macro imbalances and the exchange rate; monetary system and policy; fiscal system and policy; social equity, public services, and civil society; and energy, resources, and environment.

Structure

The first 15 minutes as people are settling in will be devoted to topics beyond the normal scope of class. Topic requests are welcome. The remaining 75 minutes will be structured around lecture enhanced by discussion. Questions and comments from the class are encouraged.

Materials

The required text is Arthur Kroeber, *China's Economy: What Everyone Needs to Know* (Oxford University Press, 2016). This text is available for Kindle [on Amazon](#) for \$8.36. All other learning materials are available with continuous updating through UVLe. PowerPoint slides will be posted in advance, the goal being to have them up by noon the day before class meets. Students may wish to print the slides and bring them to class as an aid to note taking.

Prohibition on Electronic Devices

Use of computers, phones, ipads, or other electronic devices in the classroom is prohibited beyond the first class session. For reasons why, see posted pieces from PBS and Science Daily.

Etiquette

While class is in session, please refrain from:

- entering or leaving the classroom;
- talking with neighbors.

Assessment

Assessment will be based: 24 percent on quizzes (announced and unannounced) and mini essays; 33 percent on a midterm exam; 33 percent on a final exam; and 10 percent on class contribution.

READINGS:

Required text: Arthur Kroeber, *China's Economy: What Everyone Needs to Know* (Oxford University Press, 2016).

Supplemental text: Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge, MA: MIT Press, 2007).

Daily news updates & features on China: [SupChina](#).

1) Jan 18: Course Intro; Image at Reform Outset

- SHIRKY, Clay, 2014. "Why Clay Shirky Banned Laptops, Tablets and Phones from His Classroom" (Mediashift). [link](#)
- Science Daily, 2014. "Take Notes by Hand for Better Long-Term Comprehension", Science Daily, April 24. [link](#)
- Gapminder: [link](#)

2) Jan 20: Command to Market Transition

- KROEBER, Ch 1
- NAUGHTON, Ch 4.

3) Jan 25: Market Efficiency & Economic Rents

- WIEMER, Calla, 2015. *Macroeconomics for Emerging East Asia* (manuscript), Ch 3.

4) Jan 27: Rural/Urban Dynamics

- KROEBER, Ch 4.
- NAUGHTON text, Ch 5.
- *Economist*, 2016. "The Changing Face of China's Migrant Population", Dec 3. [link](#)

5) Feb 1: Migrant Life

- PELED, Micha, 2005. *China Blue* (Teddy Bear Films) screening (trailer [link](#)).

6) Feb 3: More Migrant Life

- *China Blue*, director interview screening.
- FAN Lixin, 2010. *Last Train Home*, trailer screening. [link](#)
- *Last Train Home*, director interview screening. [link](#)

7) Feb 8: Population

- KROEBER, Ch 9.
- DAVIS, Rebecca, 2015. "An Administrative Netherworld: The Dark Lives of China's 'Black Children'", *Hong Kong Free Press*, Nov 1. [link](#)
- ZHENG, Yangpeng, 2016. "Working-Age Population Sees Biggest Drop in Modern History", *China Daily*, Jan 20. [link](#)
- FONG, Mei, 2016. "Interview Highlights" for *One Child: The Story of China's Most Radical Experiment*, NPR, Feb 1. [link](#)

- HAAS, Benjamin, 2017. "China's Birth Rate Rises but Falls Short of Government Estimates", *The Guardian*, Jan 23. [link](#)

8) Feb 10: Labor

- World Bank and Development Research Center of the State Council, 2014. *Urban China: Toward Efficient, Inclusive, and Sustainable Urbanization* (Washington, DC: World Bank), Chapter 3. [link](#)
- GARNAUT, John and Maya LI, 2010. "The Cotton Army", *Sydney Morning Herald Weekend*, Feb 6.
- HUANG, Ziyi and Rongde LI, 2016. "Graduates Sacrifice Plum Jobs to Live in Beijing", *Caixin*, Dec 3. [link](#)

9) Feb 15: Guest Speaker, [Jaime FlorCruz](#): Economic Life in Social/Political/Cultural Context

10) Feb 17: Agriculture

- KROEBER, Ch 2
- ZHANG, Qian Forrest and John A. DONALDSON, 2008. "The Rise of Agrarian Capitalism with Chinese Characteristics: Agricultural Modernization, Agribusiness and Collective Land Rights", *The China Journal*, No. 60 (July).

11) Feb 22: Industry Transformation

- KROEBER, Chs 3 & 5.

12) Feb 24: Alibaba Corporation

- Erisman, Porter, 2012. *Crocodile in the Yangtze* (Taluswood Films), screening. [link](#)

13) Mar 1: State/Private Mesh w/ Chinese Characteristics

- WIEMER, Calla, 2010. Review of LIU Xiaoxuan, *The Micro-Foundation of China's Market Economy* in *The China Quarterly*, Vol. 203 (Sept), pp. 729-31.
- Forsythe, Michael, 2014. "Alibaba's I.P.O. Could Be a Bonanza for the Scions of Chinese Leaders", *New York Times*, July 20. [link](#)
- POMFRET, John, 2006. *Chinese Lessons: Five Classmates and the Story of the New China* (New York: Henry Holt), Chs 26 & 28.
- GILBOY, George J., 2004. "The Myth behind China's Miracle", *Foreign Affairs* (Jul/Aug).
- ROTHFEDER, Jeffrey, 2016. "Why Chinese Factories Fare Poorly in the U.S.", *The New Yorker*, Jan 14. [link](#)
- LIAN, Yi-Zheng, 2017. "China, the Party-Corporate Complex", *New York Times*, Feb 12. [link](#)

14) Mar 3: Financial Development

- KROEBER, Ch 7.
- WALTER, Carl E. and Fraser J.T. HOWIE, 2011. *Red Capitalism: The Fragile Financial Foundation of China's Extraordinary Rise* (Singapore: John Wiley & Sons), Ch 1.

15) Mar 8: Finance Update

- DOBBS, Richard, Susan LUND, Jonathan WOETZEL, and Mina MUTAFCHIEVA, 2015. *Debt and (Not Much) Deleveraging* (McKinsey Global Institute), Chapter 4. [link](#)
- LONG, Chen, 2016. "The Debt Restructuring Toolbox", Gavekal Dragonomics, Nov 29.
- *Economist*, 2017. "In Fintech, China Shows the Way", Feb 25. [link](#)

16) Mar 10: Inequality

- KROEBER, Ch 11.
- Xie, Yu and Xiang Zhou, 2014. "Income Inequality in Today's China", *Proceedings of the National Academy of Sciences of the United States of America*, Vol. 111, No. 19. [link](#)

17) Mar 15: Review, Loose Ends, Consolidation

18) Mar 17: Midterm Exam

19) Mar 22: Macroeconomic Growth & Rebalancing

- KROEBER, Chs 10 & 12
- TALLEY, Ian, 2017. "Beijing Revs Up State Inc." *Wall Street Journal*, Mar 20. [link](#)

20) Mar 24: Internal & External Imbalances

- WIEMER, Calla, 2015. *Macroeconomics for Emerging East Asia* (manuscript), Chapter 5.
- WIEMER, Calla, 2012. "China's Worsening Imbalances", *Wall Street Journal*, Apr 12.

21) Mar 29: Trade

- KROEBER, Ch 3.
- ZHANG, Janet, 2012. "How Much Does China Need Exports?", GK Dragonomics, Mar 21.

22) Mar 31: Trade Is Good, Even with China

- Landsburg, Lauren F., 2007. "Comparative Advantage", Library of Economics and Liberty. [link](#)
- AUTOR, David interviewed by Zeeshan ALEEM, 2017. "'Another Kick in the Teeth': A Top Economist on How Trade with China Helped Elect Trump", *Vox*, Mar 29. [link](#)

23) Apr 5: Direct Investment, In & Out

- BRESLIN, Shaun, 2006. "Foreign Direct Investment in the PRC: Preferences, Policies and Performance", *Policy and Society*, Vol. 25, Issue 1, pp. 9-38.
- Economist Intelligence Unit, 2012. "Serve the People: The New Landscape of Foreign Investment into China". [link](#)
- SCISSORS, Derek, 2017. "Record Chinese Outward Investment in 2016: Don't Overreact", American Enterprise Institute, Jan. [link](#)
- China Global Investment Tracker, American Enterprise Institute. [link](#)
- WEI, Lingling, 2016. "China Issuing 'Strict Controls' on Overseas Investment", *Wall Street Journal*, Nov 26. [link](#)

24) Apr 7: China, the Philippines, and the World

- KROEBER, Ch 13.

- One Belt, One Road website [inChinese]. [link](#)
- Economist Intelligence Unit, 2016. "China's AIIB: A Surprisingly Normal Bank", Oct 28. [link](#)
- MILLER, Tom, 2017. "China's Asian Dream", Gavekal Research, Feb 9.
- ADRIANO, Joel, 2017. "Duterte's China Gambit Yet to Pay Dividends", *Asia Times*, Apr 3. [link](#)

25) Apr 19: Exchange Rate Mechanics

- HUBBARD, R. Glenn and Anthony Patrick O'BRIEN, 2013. *Macroeconomics*, fourth edition (Boston, MA: Pearson), pp. 615-622, 649-653.

26) Apr 21: Exchange Rate Management

- KROEBER, Ch 7.
- HOWIE, Fraser, 2017. "Calming the Yuan", *Nikkei Asian Review*, Jan 13. [link](#)

27) Apr 26: Monetary Policy

- WIEMER, Calla, 2015. *Macroeconomics for Emerging East Asia*, Chapter 6, pp. 1-9.
- PRASAD, Eswar and Boyang ZHANG, 2014. "Monetary Policy in China", in In Shenggen Fan, Ravi KANBUR, Shang-Jin WEI, and Xiaoabo ZHANG, eds., *The Oxford Companion to the Economics of China* (Oxford University Press, 2014).
- LEE, Justina, 2017. "China's Monetary Policy Is Looking Like Alphabet Soup", *Bloomberg*, Feb 13. [link](#)

28) Apr 28: Fiscal & Social Welfare Systems

- KROEBER, Ch 6.
- GONG, Sen, Yanfeng GE, and Xiongjun WANG, 2015. *An Analysis for an Equitable and Sustainable Welfare System* (Beijing: United Nations Development Program and China Development Research Foundation), Chapter II. [link](#)
- BATSON, Andrew, 2017. "Fiscal Stimulus? What Fiscal Stimulus?" *Gavekal Dragonomics*, Mar 7.

29) May 3: Environment & Energy

- KROEBER, Ch 8.

30) May 5: Civil Society & Governance

- KROEBER, Ch 1.
- HSIEH, Shawn, 2017. "The Origins of China's New Law on Foreign NGOs", *ChinaFile*, Jan 31. [link](#)

31) May 10: Wealth & Power (and the Reporting of It)

- USC U.S.-China Institute, *Assignment: China – Follow the Money*, screening. [link](#)
- FORSYTHE, Michael, 2015. "On China: Ultra-Rich's Voice in China's Congress", *CNN*, July 20. [link](#)
- FORSYTHE, Michael, 2012. "Xi Jinping Millionaire Relations Reveal Fortunes of Elite", *Bloomberg*, June 29. [link](#)

- BARBOZA, David, 2012. "Billions in Hidden Riches for Family of Chinese Leader", *New York Times*, Oct 25. [link](#)
- FORSYTHE, Michael, 2015. "Wang Jianlin, a Billionaire at the Intersection of Business and Power in China", *New York Times*, April 28. [link](#)
- DEMICK, Barbara, 2015. "The Times, Bloomberg News, and the Richest Man in China", *The New Yorker*, May 5. [link](#)

32) May 12 Capstone: Prospects for China vs the Philippines

- WU, Jinglian, 2005. "Active Promotion of Political Reform", Chapter 11.4 (pp. 417-430) in *Understanding and Interpreting Chinese Economic Reform* (Singapore: Thomson/South-Western).
- YAO, Yang, 2010. "The End of the Beijing Consensus", *Foreign Affairs*, February 2. [link](#)
- MO, Zhixu, 2016. "China's Future: Unstable and Unsettled", *China Change*, April 6. [link](#)
- HUANG, Yasheng, 2011. "Does Democracy Stifle Economic Growth?" TED. [link](#)