
EC205 LSE-PKU Summer School 2015
Sustainable Economics? China's Economic Transition and Future Development
Mon - Fri, 8:30 – 12:30 (Lecture), 13:30 – 16:20 (Discussion)

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COURSE DESCRIPTION:

By any standard, China's economic performance over the past 35 years has been impressive. Its unique development story provides valuable lessons for other countries seeking to emulate its success. However, the country also faces mounting challenges that threaten its future. What are the driving forces behind China's phenomenal growth and is the current development model sustainable? Can China maintain its fast pace towards a high income economy given the demographic, social and institutional challenges? Will China's rise to global supremacy pose significant disruption to the world, the environment, and the fabric of its own society?

This course tries to answer the above questions by offering a comprehensive overview of China's economic development and its role in the world economy. Theoretical knowledge and empirical analyses will be provided 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. Special attention will be paid to China's current economic issues, which will allow the students to form a balanced view on the country's future prospects.

COURSE FORMAT:

The course will be delivered through lectures, student presentations and discussions. Students' participation is strongly encouraged. In each lecture, two students will be requested to present the assigned articles in the reading list, in which they should summarize the articles' main findings and give their own comments. During the afternoon sessions, the TA will organize seminar discussions and debates to further your understanding of the lectures, which will be based on case studies, documentary movies, and student research projects pertaining to the Chinese economy.

PREREQUISITES:

A university-level introductory course in Economics (e.g. Principles of Economics)

REQUIRED TEXTBOOK:

- (1) Naughton, Barry, 2007, *The Chinese Economy: Transitions and Growth*, MIT Press, Cambridge.
- (2) World Bank and Development Research Center of the State Council of China, 2013. *China 2030: Building a Modern, Harmonious, and Creative Society*. World Bank Publication, Washington, DC.

SUPPLEMENTAL MATERIALS (OPTIONAL):

- (1) Paulson, Henry M., 2015. *Dealing with China: An Insider Unmasks the New Economic Superpower*. Grand Central Publishing, New York.
- (2) Pettis, Michael, 2013. *Avoiding the Fall: China's Economic Restructuring*. Carnegie Endowment for International Peace, Washington, DC.
- (3) Lin, Justin Y., 2012. *Demystifying the Chinese Economy*. Cambridge University Press, Cambridge, UK.
- (4) Lin, Justin Y., 2012. *The Quest for Prosperity: How Developing Economies Can Take Off*, Princeton University Press, Princeton, NJ.
- (5) Kissinger, Henry, 2012. *On China*. Penguin Books, London.
- (6) Vogel, Ezra F., 2011. *Deng Xiaoping and the Transformation of China*. Belknap Press, Cambridge, MA.
- (7) Chai, Joseph C.H., 2011. *An Economic History of Modern China*. Edward Elgar Publishing, Cheltenham, UK.
- (8) Brandt, Loren and Rawski, Thomas G., 2008, *China's Great Economic Transformation*, Cambridge University Press, Cambridge.
- (9) Chow, Gregory C., 2007, *China's Economic Transformation*, 2nd edition, Blackwell Publishing, Oxford.

GRADING POLICY – your final grade will be based on the following components:

1) Midterm Essay: 50%

Upon completing the first half of the course, each student is expected to submit an essay on the Chinese economy based on original research. The essay should be a formal analytical piece on a subject related to the materials covered in this course, such as China's economic transition and future development, the rural-urban divide and income inequality, labor market issues and social security systems, structural reforms in the rural and urban sectors, the international trade imbalance, the inward and outward foreign direct investment (FDI), the RMB exchange rate policy, etc.

The essay should follow the structure of an academic paper with at least the following three parts: Introduction, Analysis and Conclusion. In the introduction part, you introduce the topic of your research and why the topic is of interest to a general audience. If other people have written about this topic (which is almost certainly the case), you should briefly summarize their main results and show how you are going to

discuss the same issue from a new perspective. In the analysis part, you carry out your analysis step by step. The analysis should be theoretical reasoning combined with empirical evidence involving the use of real data. If you are talking about some policy issues, you should also discuss the policy implications (or suggestions) of your results. Although no mathematical or statistical model is required for the paper, your analysis should show consistent logic and contain coherent arguments. You are encouraged to use tables or graphs to illustrate your points. In the conclusion, you summarize your results and point out the direction of future research. A complete list of referenced work should be included at the end of the paper. You may follow any commonly accepted formatting style for bibliography.

The expected length of the paper is 2,000 to 4,000 words. Your essay will be graded by the following criteria with a total of 50 points:

- a) Relevance and originality of the topic (10 points)
- b) Soundness of theoretical and (or) empirical evidence (10 points)
- c) Thoroughness of reasoning and analysis (10 points)
- d) Organization and format, including referencing & bibliography (10 points)
- e) Writing and presentation (10 points)

The midterm essay is due at 8:30 AM on Tuesday, August 18 (Beijing Time). You are required to submit a hard copy of the essay following the assessment guidelines provided by LSE-PKU summer school. In particular, your submission must show only your student number and not your name, and should be accompanied by a signed copy of the plagiarism statement. Late submission will be subject to mark deduction.

2) Final Exam: 50%

The final exam is a 120-minute closed-book exam to be held on the final day of the program. The exam will consist of 6 essay type questions among which you should choose 4 questions to answer. The content of the exam is comprehensive, and will cover all the materials taught in this course (including the textbook, lecture notes, and the reading assignments).

SPECIAL NOTES

- 1) A basic requirement of this course is to attend all the lectures and discussion sessions on time. Absence without prior notice is allowed only in case of sickness. In such a case, however, a written explanation (with your signature) should be submitted afterwards. If you have to miss a lecture for other reasons, a written application is required before the lecture. Absence without valid and documented excuse will result in a 5% reduction of your final grade for each offence.
- 2) 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. Specifically, students must give credit to the originality of others in the form of referencing and bibliography notes whenever: (1) Directly quoting another person's actual words,

whether oral or written; (2) Using another person's ideas, opinions, or theories; (3) Paraphrasing the words, ideas, opinions, or theories of others, whether oral or written; (4) Borrowing facts, statistics, or illustrative material; or (5) Offering materials assembled or collected by others in the form of projects or collections. Any evidence of plagiarism will lead to zero credit to your work submitted and you may fail the course for serious offense.

COURSE OUTLINE AND READING ASSIGNMENTS

Lecture 1: Overview and Historical Background of the Chinese Economy

- (1) Brandt, L., Ma, D., and Rawski, T. G., 2014. "From Divergence to Convergence: Reevaluating the History behind China's Economic Boom," *Journal of Economic Literature*, 52(1): 45-123.
- (2) Lin, J. Y., 1990. "Collectivization and China's Agricultural Crisis in 1959-1961," *Journal of Political Economy*, 98(6): 1228-52.

Lecture 2: China's Economic Transition: A General Discussion

- (1) Huang, Y., 2012. "How Did China Take Off?" *Journal of Economic Perspectives*, 26(4): 147-170.
- (2) Lin, J. Y. and Rosenblatt D., 2012. "Shifting Patterns of Economic Growth and Rethinking Development," *Journal of Economic Policy Reform*, 15(3): 171-194.

Lecture 3: Economic Growth and Structural Change

- (1) Zhu, X., 2012. "Understanding China's Growth: Past, Present, and Future," *Journal of Economic Perspectives*, 26(4): 103-124.
- (2) Nabar, M. and Yan, K., 2013. "Sector-Level Productivity, Structural Change, and Rebalancing in China," *IMF Working Paper*, WP/13/240.

Lecture 4: Rural Reform and Agricultural Development

- (1) Mullan, K., Grosjean, P., and Kontoleon, A., 2011. "Land tenure arrangements and rural-urban migration in China," *World Development*, 39(1): 123-133.
- (2) 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.

Lecture 5: Reform of State-owned Enterprises (SOE) and Industrial Transition

- (1) Geng, X., Yang, X. and Janus, A., 2009. "State-owned Enterprises in China: Reform Dynamics and Impacts," in Garnaut, R., Song, L. & Woo, W. (ed.), *China's New Place in a World in Crisis: Economic, Geopolitical and Environmental Dimensions*, Australian National University E Press, Canberra, Australia.
- (2) Zhang, D., and Freestone, O., 2013. "China's Unfinished State-owned Enterprise Reforms," *Economic Roundup*, 2013 (2): 79-102.

Lecture 6: Labor Market and Human Capital

- (1) Meng, X., 2012. "Labor Market Outcomes and Reforms in China." *Journal of Economic Perspectives*, 26(4): 75-102.
- (2) Cai, F., & Du, Y., 2015. "The Social Protection System in Ageing China," *Asian Economic Policy Review*, 10(2), 250-270.

Lecture 7: Reform of Fiscal and Financial Systems

- (1) Li, L. C., & Yang, Z., 2015. "What Causes the Local Fiscal Crisis in China: The Role of Intermediaries", *Journal of Contemporary China*, 24(94): 573-593.
- (2) Berger, A., Hasan, I. and Zhou, M., 2009. "Bank Ownership and Efficiency in China: What Will Happen in the World's Largest Nation." *Journal of Banking & Finance*, 33: 113-130.

Lecture 8: Opening Up to International Trade

- (1) 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.
- (2) Feenstra, R. C. and Hong, C., 2010. "China's Exports and Employment," in Feenstra, R. C. and Wei, S. J. (ed.), *China's Growing Role in World Trade*, University of Chicago Press, Chicago, IL.

Lecture 9: Inflow and Outflow of Foreign Direct Investment (FDI)

- (1) 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.
- (2) Cheung, Y. W., De Haan, J., Qian, X., and Yu, S., 2012. "China's Outward Direct Investment in Africa," *Review of International Economics*, 20(2): 201-220.

Lecture 10: Exchange Rate Policy and Its Role in Global Imbalance

- (1) Corden, W. M., 2009. "China's Exchange Rate Policy, its Current Account Surplus, and the Global Imbalances," *Economic Journal*, 119: F430-41.
- (2) Yang, D. T., 2012. "Aggregate Savings and External Imbalances in China," *Journal of Economic Perspectives*, 26(4): 125-146.