



香港中文大學
The Chinese University of Hong Kong

GLEF 4010 China and the Global Economy

2017-18 Term 2

Course outline

Teacher details

Prof. Gene H Chang

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Course description and learning outcomes

The Chinese economy experienced great human-made disasters during Mao's era but has achieved a spectacular success after 1978 when reform started. China currently is the second largest economy in the world, transforming from a poor, rural, command economy to a global industrial power and to an upper middle income country. While China is the largest manufacturer and exporter in the world but it also suffers from severe environmental deterioration, social and political problems such as rising income inequality, capital flight, and lacking rule of law. This course will provide students with a comprehensive knowledge and fundamental understanding of the contemporary Chinese economy, from its history, the reform since 1978, the economic growth and the relevance to the world. The course will also engage the students with research and discussion over China's future problems including debt problems, financial fragility, RMB globalization, demographic structure, sustainability of growth, system barriers, etc.

Reading assignments

The reading assignments for each week are the textbook chapters, academic papers, and other references as listed below. Additional materials may be assigned in due course to help understanding and keeping information updated. The ppt presentations in the class summarize these important topics about the Chinese economy.

Textbook:

Naughton, Barry, *The Chinese Economy: Transition and Growth*, MIT Press, 2007

Readings:

On line reading material assigned in due course

Chow, Gregory, *China's Economic Transformation*, Third Edition, Willy Blackwell, 2015

Rawski, Thomas and Loren Brandt, *China's Great Economic Transformation*, Cambridge, 2008

Textbook/Reference for CGE (Computable General Equilibrium) modeling

Gene Chang, *Computable General Equilibrium Modeling and Programming*, 2nd edition, Shanghai People's Press, 2017. (The book is written in Chinese, a reference for those who choose to do a CGE topic for the group projects. Students who do not understand Chinese can either choose other topics or rely on English CGE references.)

Course Assessment

Class participation 10%

Midterm Test 25%

Group Project 25%

Final exam (see the regulation below) 40%

Note: As a department policy, the final exam is scheduled centrally and no substitute exams will be offered.



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Course Outline and Readings (some topics may be adjusted in due course)

1. Introduction: Overview and current state of the Chinese economy
Lecture
2. Geographic setting and the economy before 1949
Naughton: chapters 1 and 2,
Gallup, Sachs, and Mellinger, "Geography and Economic Development", *International Regional Science Review*, 1999
Bao et al., "Geographic Factors and China's Regional Development Under Market Reforms, 1978-98," *China Economic Review*, Vol 13, 2002, pp. 89-111.
Burke, Hsing and Miguel, "Climate and Conflict", *NBER Working Paper* 20598, 2014
3. Economy under the Soviet model in 1950s
Naughton, chapter 3
Chang, Yang and Chang, "The Immiserizing Growth during the period of China's Cultural Revolution," with Shenke Yang and Kathryn Chang, *The Chinese Economy*, accepted, 2017
"Asymmetric 'Min' Condition and Estimation for Disequilibrium in Centrally Planned Economies," *Comparative Economic Studies*, Vol.14, No.3-4, 1992, pp.54-67.
"Observation of the Nature of Russia's Virtual Economy," *Post-Soviet Geography and Economics*, Vol. 40, No. 2, March, 1999, pp.114-120
"The Inconsistencies Among Disequilibrium Aggregates," *Journal of Comparative Economics*, Vol. 17, March, 1993, pp.70-91
4. Economic radicalism under Mao: Great Leap Forward and Cultural Revolution
Chang and Wen, "Communal Dining and the Chinese Famine of 1958-61," *Economic Development and Cultural Change*, Oct., 1997, Vol. 46, No.1, pp.1-34
"Food Availability versus Consumption Inefficiency: What is the Primary Concern of the Chinese Famine," with James Wen, *China Economic Review*, No. 2, Vol. 9, 1998, pp.157-165.
5. Abandoning the Soviet model and reform strategies: gradualism vs Big Bang
Naughton, chapter 4
Chang, "Monetary Overhang: Do Centrally Planned Economies Have Excessive Money Stocks?" *Contemporary Economic Policy*, July 1994, pp.79-90.
Chang, "What Caused Hyperinflation at Big Bang: Monetary Overhang or Structural Distortion?" *China Economic Review*, (U.S.A.), Vol. 6, No.1, pp.137-147, 1995
6. Economic reform in the rural areas: Household responsibility system and decollectivization
Naughton, chapters 10 and 11
7. Transition and rural industrialization: TVEs and rural private enterprises
Naughton, chapter 12
Chang and Wen, "Wenzhou Model versus Sunan Model: Two Forms of Non-State Enterprise in China," in Wen Hai, edit., *Chinese Township Village Enterprise Nature Experience and Reforms*, Zhonghua Gongshang Lianhe Publisher, Beijing, China, 1997, pp.121-132.
Hsiao Cheng, "Shares versus Residual Claimant Contracts: the Case of Chinese TVEs", *Journal of Comparative Economics*, Vol, 26, pp.317-337, 1998



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Chang and Wen, "Communal Duality: Agricultural Subsidies from TVEs," *Contemporary Economic Policy*, Vol. 19, No. 1, January 1999, pp.79-86.

8. Reform in industries: SOE reform

Naughton, chapter 13

Chang, "Monetary and Financial Policies and SOE Reform in China," in G J Wen and D Xu, *The Reformability of China's State Sector*, World Scientific Press, New Jersey, 1997

Chang, "Effects of Privatization on Employment in Transitional China", in Lin Shuanglin and Zhu Xiaodong, ed., *Private Enterprise and China's Economic Development*, Routledge, New York, USA, 2006

Chang, "The Corporate Finance Issue Under Macroeconomic Adjustment," in Chang Chun et al., *Reform of the Banking System and Development of Regional Financial Center*, China Economic Press, Beijing, China, 1997, pp.235-242.

9. Population, labor, and employment

Naughton, chapters 7, 8

10. Urbanization, migration, regional economies and poverty

Naughton, chapter 5

"Land Price and Intra-country Industrial Relocation in China -- Theory and the Yangtze Delta Area" with Changliu Jiang, Kathryn Chang and Bhuiyan Alam, *Chinese Economy*, Vol. 46, Nov. 2, 2013

"China's Urbanization Lag and Its Economic Costs" in A Chen and G Liu, ed., *Unemployment and Social Welfare*, by Ashgate Publishing Ltd., 2002

"The Paradox of China's Growing Under-urbanization", with Joe Brada, *Economic Systems* Vol.30, Issue 1, pp. 24-40, 2006

11. Income distribution and regional gap

Naughton, chapter 9

Chang, "Disparity in Health Resource Allocation between Rural and Urban Areas in China: Is it Getting Worse?" with HUA Li, in *Chinese Economy*, Vol. 41, No.6, pp. 45-55, M.E.Shaper, 2008.

12. Trade, foreign direct investment, external sector

Naughton, chapter 16, 17; Chow 17

"Is the Chinese Currency Undervalued? Empirical Evidence and Policy Implication," *The International Journal of Public Administration*, Vol. .30, pp. 137-148, 2007

"Geographic Factors and China's Regional Development Under Market Reforms, 1978-98," with Shuming Bao, Jeffrey Sachs, and Wing Tyae Woo, *China Economic Review*, Vol 13, 2002, pp. 89-111.

13. Macroeconomy and finance

Naughton, chapters 18, 19

"China's Economy from an American's Perspective", in Huang and Zhou, *Dragon versus Eagle: The Chinese Economy and U.S.-China Relationship*, W.E.Upjohn Institute for Employment Research, Kalamazoo, MI, 2012, pp. 79-105



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Chang, Gene, "China after Deng; Macroeconomic Issues and Policies," in Dilemmas of Economic Reform in Post-Deng China, in Andrew J. Nathan, ed., Lynne Reinner Publishers, Boulder, Co, 1999, pp.157-170

"The Chinese Economy: Current State and Key Issues," in Hu, Hong and Stavrou, In Search of A Chinese Road Towards Modernization, The Edwin Mellen, Lewiston, U.K., 1996, pp. 1-21.

"How Much Is the Chinese Currency Undervalued? A Quantitative Estimation," with Qin Shao, China Economic Review, Vol. 15, 2004, pp. 366-371.

Chang, stock crisis in 2015, ppt.

14. China's rising role in the global economy

Manufacturing and trade in the global economy. Climbing in the global value chain

Infrastructure and human capital

Currency and internationalizing RMB

Investment and aid overseas, and, "One belt one road" project and development banks

15. Current problems and prospect: Demography transition, income distribution, environment, and growth sustainability

Chow, chapters 11 and 12

Cai Fang, "Demographic transition, dividend, and Lewis turning point in China", China Economic Journal, 2010

Chang, "Decomposition of China's Rising Income Inequality ---- Is Rural-Urban Income Gap Solely Responsible?" in Song and Chen, ed. China's Rural Economy after WTO, Ashgate Publisher, USA, 2006, pp.134-140.

Chang, "The Cause and Cure of China's Widening Income Disparity," China Economic Review, Vol. 13, 2002, pp. 335-340.

Cai Fang, "Is There a 'Middle-income Trap'? Theories, Experiences and Relevance to China" China & World Economy, 2012

Eichengreen, Barry, Donghyun Park and Kwanho Shin, "Growth Slowdowns redux: new evidence on the middle-income trap", NBER working paper series 18673, 2013

16. Computable General Equilibrium Models for Trade Policies

Chang, Computable General Equilibrium Modeling and Programming

Wang, Zhi, "Computable General Equilibrium Modeling and Its Application in Trade Policy Analysis", ppt presentation.

Group project/presentation

Students will form groups to conduct research on a topic of the modern Chinese economy, submit a background paper and give a ppt presentation based on their research. Using some quantitative approaches including econometrics or CGE to conduct analysis are encouraged. Each group will choose a topic from a list given by the instructor. Each group consists of 4 students or less.

Project assignment is due on April 4th and the presentation will be scheduled right afterwards.

Academic Honesty

The Chinese University of Hong Kong places very high importance on honesty in academic work submitted by students and has a policy of zero tolerance on academic dishonesty. Any academic dishonesty including plagiarism, cheating in tests, undeclared multiple submissions and other act of dishonesty will not be tolerated and will result in penalty and discipline.

Please note: <http://www.cuhk.edu.hk/policy/academichonesty/>