

## **ECON 3310: ECONOMY OF CHINA**

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Office hours: Thursday 9:00-11:00am, and by appointment

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### **Course Description**

China today is in a process of remarkable economic and social transformation. This course is designed to enhance your understanding of that process by examining three grand themes in the reform era: development, reform and opening up. We focus on around twelve topics that together provide comprehensive coverage of the Chinese economy.

### **Learning Outcomes**

Upon completion of the course, students will be able to:

1. understand the path and historical background of China's economic development;
2. compare, contrast and evaluate the strengths and weaknesses of China's economic reforms;
3. apply the economic concepts and theories introduced in class to the analysis of economic phenomena related to China.

### **Measurement of Learning Outcomes**

1. Students' knowledge of China's economy will be measured by mid-term and final exams. (LO1, LO2)
2. Students' ability to apply the economic theories to China's economy will be measured by a group project. (LO3)

## Readings

Required textbook:

Barry Naughton (2018) *The Chinese Economy: Adaptation and Growth*, 2nd edition, The MIT Press.

You can buy this book at the university book store or any online book vendor. Optional advanced reading materials can be downloaded and printed from the course web.

## Assessment

Class attendance and discussion	10%
Mid-term exam	20%
Group project	30%
<u>Final exam</u>	<u>40%</u>
Total	100%

## Group Project

You are expected to form a group of 2 or 3 students and pursue a project on a topic related to China's Economy. The project can be related to a policy implemented or currently under consideration. All groups need to submit a softcopy of the report via VeriGuide at the end of the term. The deadline of submission is **May 3, 2019**.

## Academic Integrity

Academic dishonesty is a serious offense which may result in suspension or expulsion from the university. All relevant university policies regarding academic integrity must be followed.

# Course Lectures and Reading Assignments

## Part I: Legacies and Setting

### 1. Overview

#### Required Reading:

Naughton (2018), Chapter 1

#### Advanced Reading:

Xu, Chenggang (2011) “The Fundamental Institutions of China’s Reforms and Development,” *Journal of Economic Literature*, 49(4), pp. 1976-1151.

### 2. Geographic Setting

#### Required Reading:

Naughton (2018), Chapter 2

#### Advanced Reading:

Faber, Benjamin (2014) “Trade Integration, Market Size, and Industrialization: Evidence from China’s National Trunk Highway System,” *Review of Economic Studies*, 81(3), pp. 1046–1070.

### 3. Legacies of the Pre-Reform Era

#### Required Reading:

Naughton (2018), Chapter 3, 4

#### Advanced Reading:

Bai, Ying, and Ruixie Jia (2016) “Elite Recruitment and Political Stability: The Impact of the Abolition of China’s Civil Service Exam,” *Econometrica*, 84(2), pp. 677-733.

Meng, Xin, Nancy Qian, and Pierre Yared (2015) “The Institutional Causes of China’s Great Famine, 1959–1961,” *Review of Economic Studies*, 82(4), pp. 1568-1611.

#### 4. Market Transition

Required Reading:

Naughton (2018), Chapter 5

Advanced Reading:

Song, Zheng, Kjetil Storesletten, and Fabrizio Zilibotti (2011) “Growing like China,” *American Economic Review*, 101(1), pp. 196–233.

### **Part II: Development**

#### 5. Population

Required Reading:

Naughton (2018), Chapter 8

Advanced Reading:

Rosenzweig, Mark, and Junsen Zhang (2009) “Do Population Control Policies Induce More Human Capital Investment? Twins, Birthweight, and China's 'One Child' Policy,” *Review of Economic Studies*, 76(3), pp. 1149–1174.

Wei, Shang-Jin, and Xiaobo Zhang (2011) “The Competitive Saving Motive: Evidence from Rising Sex Ratio and Savings Rates in China,” *Journal of Political Economy*, 119(3), pp. 551–564.

#### 6. Labor and Human Capital

Required Reading:

Naughton (2018), Chapter 9

Advanced Reading:

Cai, Fang, Yaohui Zhao, and Albert Park (2008) “The Chinese Labor Market in the Reform Era,” in Loren Brandt and Thomas Rawski, eds., *China's Great Economic Transition: Origins, Mechanism, and Consequences*, Cambridge University Press.

#### 7. Inequality and Poverty

Required Reading:

Naughton (2018), Chapter 10

Advanced Reading:

Piketty, Thomas, Li Yang, and Gabriel Zucman (2017) “Capital Accumulation, Private Property and Rising Inequality in China, 1978-2015,” Working paper, Paris School of Economics.

### **Part III: Reform**

#### 8. Rural Reform

Required Reading:

Naughton (2018), Chapter 11, 12

Advanced Reading:

Lin, Justin Yifu (1992) “Rural Reforms and Agricultural Growth in China,” *American Economic Review*, 82(1), pp. 34-51.

Zhao, Xiaoxue (2018) “Labor and Land Allocation under Communal Tenure: Theory and Evidence from China,” Working paper, Yale University.

#### 9. Urban Reform

Required Reading:

Naughton (2018), Chapter 14, 15

Advanced Reading:

Brandt, Loren, Johannes Van Biesebroeck, and Yifan Zhang (2012) “Creative Accounting or Creative Destruction? Firm-level Productivity Growth in Chinese Manufacturing,” *Journal of Development Economics*, 97(2), pp. 339-351.

Aghion, Philippe, Jing Cai, Mathias Dewatripont, Luosha Du, Ann Harrison, and Patrick Legros (2015) “Industrial Policy and Competition,” *American Economic Journal: Macroeconomics*, 7(4), pp. 1-32.

#### 10. Financial Reform

Required Reading:

Naughton (2018), Chapter 18, 19

Advanced Reading:

Allen, Franklin, Jun Qian, Chenying Zhang, and Mengxin Zhao (2012) “China's Financial System: Opportunities and Challenges,” in Joseph P. H. Fan and Randall Morck, eds., *Capitalizing China*, University of Chicago Press.

## 11. Fiscal Reform

Required Reading:

Naughton (2018), Chapter 20

Advanced Reading:

Jin, Hehui, Yingyi Qian, and Barry R. Weingast (2005) “Regional Decentralization and Fiscal Incentives: Federalism, Chinese Style,” *Journal of Public Economics*, 89(9-10), pp. 1719-1742.

Lu, Xiaobo, and Pierre Landry (2014) “Show Me the Money: Interjurisdiction Political Competition and Fiscal Extraction in China,” *American Political Science Review*, 108(3), pp. 706-722.

## **Part IV: Opening Up**

### 12. International Trade and Foreign Investment

Required Reading:

Naughton (2018), Chapter 16, 17

Advanced Reading:

Autor, David H., David Dorn, and Gordon H. Hanson (2013) “The China Syndrome: Local Labor Market Effects of Import Competition in the United States,” *American Economic Review*, 103(6), pp. 2121-2168.

Brandt, Loren, Johannes Van Biesebroeck, Luhang Wang, and Yifan Zhang (2017) “WTO Accession and Performance of Chinese Manufacturing Firms,” *American Economic Review*, 107(9), pp. 2784-2820.