

# **Econ 3310: ECONOMY OF CHINA**

**Department of Economics**

**The Chinese University of Hong Kong**

**Fall 2021**

**Syllabus**

**Lecture Schedule:** Tu 8:30AM - 10:15AM, YIA LT8  
Th 12:30PM - 1:15PM, Wong Foo Yuan Bldg LT4  
Sept 7- Dec 2, 2021  
Holiday: October 14

**Instructor:** Liugang Sheng  
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Zhaoguang Wang  
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Office hours: Th: 3 – 4 pm

Please make appointment with us first. You are welcome to stop by my office or we can schedule an online meeting on zoom.

**Course Website:** <https://blackboard.cuhk.edu.hk>  
Courses materials, including slides and readings, will be available at the course website. Registered students automatically have access to the site.

**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 globalization. We focus on around twelve topics that together provide a global perspective and comprehensive coverage of the Chinese economy.

**Recommended Textbooks:**

\*Barry Naughton (2018) [\*The Chinese Economy: Adaptation and Growth, 2nd edition, The MIT Press\*](#). Ebook available in CUHK library

\*Justin Yifu Lin, Fang Cai, Zhou Li, 2003, *The China Miracle: Development Strategy and Economic Reform, Revised Edition*, The CUHK press. Chinese version is available.

Liugang Sheng and Hongyan Zhao, *Changes in the China-U.S. Economic Relations (中美经贸变局)*, in Chinese, 2020, Peking University Press.

***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 homework and final exams.
2. Students' ability to apply the economic theories to China's economy will be measured by a group project.

***Evaluation:***

Class attendance and discussion	5%
Homework	25%
Group project and presentation	30%
Final Exam	40%

***Homework***

Read the reference listed below and write a summary report for each part, each report should be within 2-5 pages including graphs and figures. In total there are five assignments.

***Group Project and presentation***

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. Each presentation lasts 15 minutes. Everyone in a group gets the same presentation score. Division of labor is decided by group members.

**The deadline of report submission is Dec 23, 2021.**

***Attendance***

Please attend the regular class and any announcement in the class is formal, you should take the responsibility if you miss the lecture.

***Academic Honesty***

For guidelines on academic honesty, students are referred to Honesty on Academic Work: A Guide for Students and Teachers at the following URL:

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

**Course Policy:**

- Exams will be cumulative.
- A request of assignment or exam regrading should first go to the teaching assistant with written justification, within one week from the day that the assignment or exam is graded and returned to the class. In that case, we reserve the right to regrade the entire assignment or exam, which may result in either an increase or a decrease in the grade.
- No late assignment and no make-up or earlier exams will be allowed (unless the University approved reasons).
- Dishonesty in assignments and exams will receive grade “F” for this course.
- The grade distribution follows the university guideline.
- No changes to any scores recorded in CUSIS will be made for any reason after the final exam is taken.

**Grade description**

<b>Grade</b>	<b>Description</b>
A	Outstanding performance on all learning outcomes.
A-	Generally outstanding performance on all (or almost all) learning outcomes.
B	Substantial performance on all learning outcomes, or high performance on some learning outcomes which compensates for less satisfactory performance on others, resulting in overall substantial performance.
C	Satisfactory performance on the majority of learning outcomes, possibly with a few weaknesses.
D	Barely satisfactory performance on a number of learning outcomes.
F	Unsatisfactory performance on a number of learning outcomes, OR failure to meet specified assessment requirements.

## Course Lectures and Reading Assignments

### *Part I: History and Institutions*

#### 1. From Stagnation to Growth

Ashraf, Quamrul, and Oded Galor. "Dynamics and stagnation in the Malthusian epoch." *American Economic Review* 101, no. 5 (2011): 2003-41.

Galor, Oded. *Unified growth theory*. Princeton University Press, 2011.  
Available in CUHK library, [Link to Chapter 2](#).

Chen, Shuo, and James Kai-sing Kung. "Of maize and men: the effect of a New World crop on population and economic growth in China." *Journal of Economic Growth* 21, no. 1 (2016): 71-99.

#### 2. The Great Divergence

Lin, Justin. "The Needham Puzzle: Why the Industrial Revolution Did Not Originate in China?" *Economic Development and Cultural Change* 43:2, January 1995, pp.269-292.

Bai, Ying. "Farewell to confucianism: The modernizing effect of dismantling China's imperial examination system." *Journal of development economics* 141 (2019): 102382.

### *Part II: Economic Growth*

#### 3. Understanding China's economic growth: Pre-reform period

Lin et.al (2021) chapter 2-4

Naughton (2018), chapter 3, 6

#### 4. China economic miracle since 1978

Zhu, Xiaodong. "Understanding China's Growth: Past, Present, and Future", *Journal of Economic Perspectives* 26(4): 103–124, 2012.

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

### *Part III: Globalization*

#### 5. China goes global

Naughton (2018), Chapter 16, 17

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, L., Van Biesebroeck, J., & Zhang, Y. (2012). Creative accounting or creative destruction? Firm-level productivity growth in Chinese manufacturing. *Journal of development economics*, 97(2), 339-351.

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.

Sheng, Liugang, and Dennis Tao Yang. "Expanding export variety: The role of institutional reforms in developing countries." *Journal of Development Economics* 118 (2016): 45-58.

## 6. The US-China Trade War

Fajgelbaum, Pablo D., Pinelopi K. Goldberg, Patrick J. Kennedy, and Amit K. Khandelwal. "The return to protectionism." *The Quarterly Journal of Economics* 135, no. 1 (2020): 1-55.

Sheng, Liugang, Hongyan Zhao, and Jing Zhao. "Why will Trump lose the trade war?" *China Economic Journal* 12, no. 2 (2019): 137-159.

Huang, Yi, Liugang Sheng, and Gewei Wang. "How did rising labor costs erode China's global advantage?" *Journal of Economic Behavior & Organization* 183 (2021): 632-653.

## *Part IV: Development and Reforms*

## 7. Rural Reform

Naughton (2018), Chapter 11, 12

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

Chari, A., Liu, E. M., Wang, S. Y., & Wang, Y. (2021). Property rights, land misallocation, and agricultural efficiency in China. *The Review of Economic Studies*, 88(4), 1831-1862.

## 8. Population

Naughton (2018), Chapter 8

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.

## 9. Labor market

Naughton (2018), Chapter 9

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.

Tombe, Trevor, and Xiaodong Zhu. "Trade, migration, and productivity: A quantitative analysis of china." *American Economic Review* 109, no. 5 (2019): 1843-72.

Hao, Tongtong, Ruiqi Sun, Trevor Tombe, and Xiaodong Zhu. "The effect of migration policy on growth, structural change, and regional inequality in China." *Journal of Monetary Economics* 113 (2020): 112-134.

## *Part V: Macro economy and Finance*

## 10. Inequality and Poverty

Naughton (2018), Chapter 10

Piketty, Thomas, Li Yang, and Gabriel Zucman. "Capital accumulation, private property, and rising inequality in China, 1978–2015." *American Economic Review* 109, no. 7 (2019): 2469-96.

## 11. Fiscal system

Naughton (2018), Chapter 18

Huang, Yi, Marco Pagano, and Ugo Panizza. "Local Crowding-Out in China." *The Journal of Finance* 75, no. 6 (2020): 2855-2898.

Chong-En, Bai, Chang-Tai Hsieh, and SONG Zheng Michael. "The long shadow of a fiscal expansion." *Brookings Papers on Economic Activity* 47, no. 2 (2016): 129-181.

## 12. Housing market

Fang, Hanming, Quanlin Gu, Wei Xiong, and Li-An Zhou. "Demystifying the Chinese housing boom." *NBER macroeconomics annual* 30, no. 1 (2016): 105-166.

Chen, Kaiji, and Yi Wen. "The great housing boom of China." *American Economic Journal: Macroeconomics* 9, no. 2 (2017): 73-114.

Glaeser, Edward, Wei Huang, Yueran Ma, and Andrei Shleifer. "A real estate boom with Chinese characteristics." *Journal of Economic Perspectives* 31, no. 1 (2017): 93-116.

\*\*\*The instructor reserves the right to make revisions to the syllabus. \*\*\*