

Econ 3310: ECONOMY OF CHINA

Department of Economics

The Chinese University of Hong Kong

Spring 2024

Syllabus

Lecture Schedule: Mo 8:30AM - 11:15AM, Esther Lee Bldg 405
Jan 8- April 15, 2024
No class on Feb 12, Mar 4, and April 1

Instructor: Liugang Sheng
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Office hours: Thur, 4 pm – 5 pm.

Teaching Assistants: Yijiang Zhou
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Office: ELB 1016
Office hours: Wed, 11 am – 12 pm.

Please make an 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 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	20%
Group project: Presentation & report & peer review	15%+10%+5%
Final Exam	45%

Attendance

Please attend the regular class and any announcement in the class is formal, you should take the responsibility if you miss the lecture. Five attendance checks will be randomly conducted, and each contributes one point to the final grade.

Homework

Read the reference listed below and write a summary report for **four** out of five parts, each report should be within 2-5 pages including graphs and figures. In total there will be four assignments.

Group Project:

You are expected to form a group of 2-3 students by **Feb 19, 2024** and start to 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 before the due day.

Slides submission: Each group needs to submit the slide via the course website by 6pm on **April 14, 2024**. Late submission will result in 1/2 reduction of the grade for the presentation.

Presentation: In class on **April 15, 2024**. Each presentation lasts 10-15 minutes, depending on overall enrollment.

The deadline of report submission is 5pm on May 1, 2024. The final report for the group project should be between 12 and 15 pages in length (including tables, figures, and references).

Format: font: Times New Roman; font size: 12 points; margins: 1 inch all around; spacing: 0pt before, 0pt after, double line spacing.

Anonymous Peer Evaluation:

To avoid free-riding, students are required to evaluate the overall contribution made by their group members (not including themselves). The evaluation form will be available on the course website. Students need to email TA the filled form **one day after the due day of report**. Those who do NOT submit their peer evaluation will Not receive grade for this part.

Final exam
TBA

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

Grade	Description
A	Outstanding performance on all learning outcomes.
A-	Generally outstanding performance on all (or almost all) learning outcomes.

Grade	Description
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 (2003):
Chapter 2: The Leap-forward Strategy and the Formation of the Traditional Economic System
Chapter 3: Economic Performance and China's Development Strategy

Naughton (2018):
Chapter 4: The Socialist Era, 1949–1978: Big Push Industrialization and Policy Instability
Chapter 7: Growth and Structural Change

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: International Trade

Chapter 17: Foreign Investment and the Capital Account

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.

Liugang Sheng, Huasheng Song, and Xueqian Zheng. "How did Chinese exporters manage the trade war?", working paper, 2023.

Part IV: Development and Reforms

7. Rural Reform

Naughton (2018)

Chapter 11: Rural Organization

Chapter 12: Agriculture: Technology, Production, and Policy

Lin, J. Y. (1990). Collectivization and China's agricultural crisis in 1959-1961. *Journal of Political Economy*, 98(6), 1228-1252.

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: Population: Demographic Transition, the Demographic Dividend, and the One-Child Policy

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: Labor and Human Capital

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: Living Standards: Income, Inequality, and Poverty

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 20: The Fiscal System

Huang, B., & Chen, K. (2012). Are intergovernmental transfers in China equalizing? *China Economic Review*, 23(3), 534-551.

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 (optional)

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 revise the syllabus. ***