

COURSE OUTLINE: Fall 2018
ECON 336: The Chinese Economy
Prof. Chris Green

Course Prerequisite: Economics 208 and 209 (or equivalent), or ECON 230D or ECON 250D

Course Objective: The course surveys the contemporary Chinese Economy, how it has evolved to its present state, the implications, domestic and foreign, of its economic growth, and directions and prospects for the future.

Course Marks: Each student must EITHER write a research paper (10 pages maximum, not including references, tables or figures) on an approved subject of her/his choice (40% of course marks) **OR** if s/he wishes take a mid-term exam (worth 33.3% of course marks). The paper is due **NO LATER** than Friday **Nov. 9, 2018 at 12:00 noon; the mid-term exam is scheduled for Thursday October 11, 2018**. (The exam will cover parts A, B, and C in the course outline, and will be essay in nature requiring clear, on-point, knowledgeable and **concise** answers.) Any student may show up for the mid-term exam but once s/he decides to submit the exam for grading is not eligible to submit a term paper. Students who decide not to take (and submit for grading) the exam on October 11 **MUST undertake the research paper. There will be no make-up exam for those who do not take the exam on October 11. Also, late research papers receive a zero. There is a comprehensive final examination in the December examination period (60% of course marks for those who undertook the research paper; 66.7% for those who wrote the mid-term exam)**

Course Outline and Reading List (Syllabus); It is available on course website through *My Courses*. All readings with an asterisk (*) are **required** readings.

There is a **course pack (required readings)** on sale at the McGill Bookstore. In addition, some (optional) readings are in two books: (1) Barry Naughton, *The Chinese Economy: Transitions and Growth*, also *online* Cambridge, Mass: MIT Press, 2007 (Naughton in Reading List.) and (2) Loren Brandt and Thomas Rawski (eds), *China's Great Economic Transformation*, also *online*. Cambridge University Press, 2008 (B&R in reading list). Each of these books is available as an e-book. Another interesting book is, Justin Yifu Lin, *Demystifying the Chinese Economy*, Cambridge, UK: Cambridge University Press, 2012.

Office: 534 Leacock; **Office Hours:** T: 2:30-3:30; Th 1:30- 2:30.

McGill University values Academic Integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the code of student conduct and disciplinary procedures (see www.mcgill.ca/integrity for more information).

In accord with McGill University's Charter of Student Rights, students in this course have the right to submit in English or in French any written work that is to be graded.

[University Examination Regulations](#)

A. INTRODUCTION AND HISTORICAL BACKGROUND

*[Naughton](#)., Ch 1 [in course pack (CP) pp 9-15]

Fairbank, J.K. and Merle Goldman, (1998) *China: A New History*, Cambridge University Press. Ch. 1-25; Ch.2, pp 46-57; Ch 4, pp 88-95; 102-107; Ch. 8, pp 167-186. (available as an e-book)

*[Lin](#), Ch 2.[CP: 16-31]

* Brandt, L. D Ma, T.G. Rawski (2014) "[From Divergence to Convergence: Reevaluating the History Behind China's Economic Boom](#)", *Journal of Economic Literature*, v. 52, March: 45-123. Read pages: 45-52; 59-64; 71-79; 92-102; 108-112 .[CP:32-70]

Landes, D. (2006), "[Why Europe and the West: Why Not China?](#)", *Journal of Economic Perspectives*, v.20, Spring: 3-22.

B. ECONOMIC REFORM COMES TO CHINA

*[Naughton](#), Ch. 4 [CP:73-99]; *[Lin](#) Ch 5. [CP:100-109]

[Naughton](#) Ch 5 and [Lin](#) Ch 6,

*Huang, Yasheng (2012) "[How did China Take Off?](#)", *Journal of Economic Perspectives*, v. 26, Fall:147-170. [CP:110-121]

*Coase, R. and N. Wang (2012) *How China became Capitalist*, Palgrave-Macmillan, 2012. (A summary by Coase and Wang of [How China Became Capitalist](#) is available as a Cato Policy Report, February 2013.) [read summary in CP: 122-130]

*Hayek, F. (1945) "[The Use of Knowledge in Society](#)", *American Economic Review*, v.35: September: 519-530.[CP:131-136]

C. ECONOMIC GROWTH: Sources, Demographics and Income/Wealth Distributions

1. Sources:

* Zhu, Xiaodong (2012) "[Understanding China's Growth: Past Present and Future](#)", *Jour of Econ Persp*, v 26 Fall:103-124
CP: 139-149]

Bosworth, B. and S.M. Collins (2008), "[Accounting for Growth: Comparing China and India](#)", *Journal of Economic Perspectives*, vol. 22 No. 1: 45-66.

*Li, Hongbin et al (2017), "Human capital and China's Future Growth", *Journal of Economic Perspectives*, v 31, Winter: 25-48. [CP: 150-158]

Liang, M-Y (2010) "[Confucianism and the East Asian Miracle](#)", *American Economic Journal: Macroeconomics*, v .2 No. 3, pp. 206-234. (Read pages 206-211; 233.)

Perkins and T. Rawski (2008) in [B&R](#) Ch 20 pp.829-845.

Song, Z. et al (2011) "[Growing like China](#)", *American Economic Review*, Feb: (read 196-207; 217-20, 231)

Lin, J. Y. (2015) et al (2016), "Prospects for a Re-acceleration of Economic Growth", *Journal of Comparative Economics*, 44: 842-853.[CP:198-209]

2. Demographics and Income/Wealth Distributions

Sicular, et al (2007) "[The Urban-Rural Gap and Inequality in China](#)", *Review of Income and Wealth*, v. 53, No.1:93-126.

* Peng, X (2011) "[China's Demographic History and Future Challenges](#)", *Science*, v.333, 29 July: 581-587.[CP: 159-165]

* Zhang, J (2017) "The Evolution of China's One Child Policy" *Jour of Econ Persp.*, Winter: 141-148; 156-157 [CP:166-170]

* Curtis, C. et al (2015) "Demographic Patterns and Household Saving in China", *Amer Econ Jour.:Macro*, v.7:58-66 [CP:171-179]

Meng, Xin (2012) "[Labor Market Outcomes and Reforms in China](#)", *Journal of Economic Perspectives*, v. 26, Fall:75-102

* Normile, D. (2016) "China Rethinks Cities", *Science*, v. 352: 20 May: 917-918 [CP: 280-81]

*Zhou, Y. and L. Song (2016) "Income Inequality in China: Causes and Policy Responses", *China Economic Journal* v. 9: 186-197; 201-204.[CP: 182-189]

*Li, S and H. Wan (2015), "Evolution of Wealth Inequality in China", *China Econ Jour.* v.8:264-265;269;274-277;283-285 [CP: 190-194]

*Novokmet, F. et al (2018), "From Communism to Capitalism: Private vs Public Property and inequality in China and Russia", *American Economic Review*, 108 May: 109-113. [CP:195-199]

*Yip, W. C-M. et al (2012) "[Early Appraisal of China's Huge and Complex Health-Care Reforms](#)", *Lancet*, v. 379: 833-42

D. CHINA'S OPENING UP: Developments and Consequences, Imbalances, Controversies and Initiatives

1. Developments and Consequences:

*Ju, Jianndong and Xinding Yu (2018), "China's Opening Up after 40 Years: Standing at a Turning Point: China & World Economy 26 No.23-49. [CP : 203-228]

Lemoine, F., D. Unal (2017) "China's Foreign Trade: A New Normal", *China & World Economy*,**25**,2:1-21

Hanson, Gordon H. (2012) "[The Rise of the Middle Kingdoms: Emerging Economies in Global Trade](#) ", *Journal of Economic Perspectives*, v. 26 Spring: 41-64.

Shang-Jin, W., Z. Xie, and X. Zhang (2017) "From 'Made in China' to 'Innovated in China': Necessity, Prospect, Challenge", Winter: 49-70

*Autour, D et al (2016) "The China Shock:...", *Annual Review of Economics*, 205-214. [CP: 230-234]

2. Imbalances:

*Yang, D.Y. (2012) "[Aggregate Saving and International Imbalances in China](#)" *Jour of Econ Persp*, Fall:125-146 [CP:235-245]

*Yongding, Yu (2015) "Understanding China's External Imbalances", *China Economic Journal*, v.8 40-54 [CP: 246-253]

Lin et al (2010), "[US-China External Imbalance and Global Financial Crisis](#)", *China Economic Journal*, v 3 Feb:1-24

3. Controversies and Initiatives

Goldstein, Morris and Nicholas Lardy (2006) "[China's Exchange Rate Policy Dilemma](#)", *American Economic Review*, vol.96, No 2 (May):422-426. and McKinnon, Ronald (2006), "[China's Exchange Rate Trap: Japan Redux](#)", *American Economic Review*, vol. 96 No. 2 May: 427-431.

* Lin, J.Y. (2015) "Why I do not Support Complete Capital Account Liberalization", *China Economic Journal*, v.8:86-93 [CP: 254-257]

McKinnon, R. and G. Schnabl (2014), "[China's Exchange Rate and Financial Repression](#)", *China & World Economy*, v.22 No 3:1-35. (While optional, this paper is recommended reading, esp. pp. 1-4; 13-17; 20-24; 27-29.)

* Lin, J_Y (2018) "High Tariffs on Chinese Imports Negatively Effects the US Economy" pp.1-3. [CP :258-260]

* Roach, Stephen (2018 "America's Weak case Against China? Project Syndicate 4/30/2018. pp. 1-3. [CP: 261-263]

* Rodrik, D. (2010) "[Making Room for China in the World Economy](#)", *American Economic Review*, May: 89-93[CP:264-268]

* Gabusi, G, (2017) "Crossing the River by Feeling the Gold: The AIIB and the Belt and Road Initiative", *China & World Economy* , v. 25 No 5: 23-45 (read pp. 23-25, 31-41). [CP, 269-282]

E. PUBLIC FINANCE AND FINANCIAL INSTITUTIONS

[[Naughton](#), Ch 18, 19 are optional]

* Wong, C. and R. Bird (2008) "China's Fiscal System: A Work in Progress", in *China's Great Economic Transformation*, eds, L. Brandt and T. Rawski (Cambridge University Press) Ch 12: 429-465. [CP: 285--303] or in [B&R](#) Ch 12

Peltier, C. (2012) "[China's Public Finances in the Spotlight](#)", *BN Paribus Conjunction*, April: 23-33.

* Chang, J., L. Yang, Y. Huang (2013), "[How Big is the Chinese Government Debt?](#)", *China Econ. Journal*, v. 6:152-171 [In CP: 304-313]

Liang, Y. (2012) "China's Banking System in Light of the Global Financial Crisis," *The Chinese Economy*, 45 [

[The Credit Kulaks: China's Shadow Banks](#)], *Economist*, June 1, 2013, pp.69-70

*Eliot, D. et al (2015) *Shadow Banking in China: A Primer*, (Washington Brookings Institution) excerpt pp. 4-13.[CP: 314-323]

F. ENVIRONMENTAL, ENERGY, AND RESOURCE ISSUES

*[Naughton](#), Ch. 20

* Zheng, S. and M.E. Kahn (2017), "A New Era of Pollution Progress in Urban China?", *Journal of Economic Perspectives*, Winter: 71-80; 88-90. [CP: 327-333]

Lee, S., D-W Oh (2015) "Economic Growth and the Environment in China" *China Economic Review* v.36: 73-76; 83- 85

* Peters, G et al (2015) "Measuring a Fair and Ambitious Climate Agreement Using Cumulative Emissions". *Environmental Research Letters*, v. 10 No. 10 Oct.:1-9 [CP:334-342]

* Goulder, L. and R Morgenstern (2018) "China's Rate -Based Emission Approach to Reducing CO2 Emissions" *AER* May 458-459 [CP : 343-344.]

* Pizer, W and X. Zhang (2018) "China's New National Carbon Market", *Amer Econ Rev*, May: 463-467. [CP: 345-349]

Aldhous, P. (2005), "[Energy: China's Burning Ambition](#)", *Nature*, vol. 435: 30 June: 1152-1154.

Rosen, D.H. and T. Houser (2007), "[China Energy: A Guide for the Perplexed](#)", Peterson Institute for Int'l Econ.

Liu, J. and J. Diamond (2005) "[China's Environment in a Globalizing World](#)", *Nature*, v. 435: 30 June: 1179-1186.

Zeng, N. et al (2008), "[Climate Change—The Chinese Challenge](#)", *Science*, 319:730-731

G CHINA: PROSPECTS and DIRECTIONS

*Naughton, B. (2017) "Is China Socialist?", *Journal of Economic Perspectives*, 31 Winter: 3-24, esp pp. 3-8; 15-18; 21-22. [CP: 353-363]

Perkins and Rawski in [B&R](#), Ch 20, pp.858-876.

* Nolan, P. (2004), "China at the Crossroads: 'Use the Past to serve the Present'", [China at the Crossroads](#) (UK: Polity Press), Ch.3, pp.111-157. [CP 360-383]. You only need to read pp 111-112; 143-157 [CP: 364- 265, 380-387]

RESEARCH PAPER

Students may choose any well-defined, tightly focused topic for their *research* paper. The paper is limited to **10** (double-spaced) pages (**maximum**) not including references; endnotes, if any; tables; diagrams; charts; etc). The paper **must be paginated**, reflect research in depth, be well-written, include adequate citations, and a list of references in an acceptable form. **Papers are due Friday Nov. 9, 2018 at 12:00 noon. Late papers are NOT accepted, and receive a grade of zero.**

It is **highly recommended** that students seek feedback on their term paper topic and bibliography, preferably before Friday October 19, 2018 and no later than Friday October 26. Students should submit a **BOTH** (i) one page proposal indicating **what** topic you have chosen, **why** chosen, and **how** you plan to approach it, **AND** (ii) list of the sources to be consulted (books, articles in scholarly journals, web resources, etc) in appropriate reference form). NB. **The most important sources for almost all topics will be articles in scholarly journals. Your reference list should include at least several of these---and where applicable come from relatively recent issues of the journals.** The research paper proposals will be returned with comments. It is highly advisable that you seek feedback on your term paper topic and bibliography earlier rather than later!. The paper is not easy to write. Feedback can help prevent submission of poor papers. A poor paper will receive a failing grade!!!