

ECONOMICS OF CHINA
ECONOMICS EC2128A-001

Department of Economics
Western University

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Office Hours: Tue. 3:00-5:00pm

Class Times: Tue. 1:30-2:30pm; Thur. 12:30-2:30pm

Classroom: Tue. SEB 2202; Thur. SEB 1200

Course website: <https://owl.uwo.ca/portal>

Undergraduate inquiries: 519-661-3507 SSC Room 4075 or econugrd@uwo.ca

Registration

You are responsible for ensuring you are registered in the correct courses. If you are not registered in a course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

Prerequisite Note

The prerequisites for this course are **Economics 1021A/B** and **1022A/B**, or **Economics 2001A/B**.

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken an anti-requisite course. Lack of pre-requisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

Course Description:

This course is about the economy of the People's Republic of China, with emphasis on the recent reform period (1980s to the present). It will critically examine China's remarkable economic performance and place this performance in historical and comparative context. The course investigates topics related to China's economic structure, institutions, public policy, and current events.

Course Learning Outcomes:

- Students will learn the main features of China's economy and economic development
- Students will gain experience using economic models and methods through their application in the analysis of China's economy
- Students will gain skills in independent learning and research, specifically, how to find and interpret Chinese data and statistics; how to find, read and evaluate reports and research about China.

Textbook:

Reading assignments are an important part of the course. Readings are from the textbook and other sources. The textbook is a draft version of a new edition of *The Chinese Economy* by Barry Naughton, which has been provided by the author for our use free of charge, on the condition that students use it only for personal study and do not circulate or share it.

Grading and Course Requirements:

Requirements for this course include (1) assignments, (2) a midterm exam, and (3) a final exam.

During the term I will give 4 or 5 **assignments**. There would be a specific topic/readings for the assignment. The purpose of the assignments is to facilitate class discussion and learning on selected topics about China's economy. The timing of the assignments will depend on how quickly or slowly we progress through the course material.

The **midterm exam** is *tentatively* scheduled for Oct 26. It will be held during class.

The midterm and final exams will be based on the lectures and readings for assignments, and will contain a mixture of multiple choice and short answer questions.

The course mark will be calculated as follows:

- 20% assignments
- 35% midterm exam
- 45% final exam

There will be **no make ups** for the assignments or the midterm exam.

Important Dates

Thur., Sep. 7	First class meeting
Thur., Oct. 26	Midterm exam (<i>tentative</i>)
Thur., Dec. 7	Last class
TBA	Final exam

COURSE OUTLINE

(tentative)

- I. Introduction (1 week)
- II. China's Economic Performance (2-3 weeks)
- III. Initial Conditions (1 week)
- IV. China's Development Strategy (2 weeks)
- V. Population and the Economy (1-2 weeks)
- VI. Income Distribution and Poverty (1 week)
- VII. Foreign Trade (1-2 weeks)

READING LIST

Notes:

1. This list contains readings for each topic on the course outline. For most topics I include some current events or opinion pieces to motivate the topic, as well as more substantial pieces based on serious, in-depth research.

2. Where to find readings:

- “**Naughton**” refers to the textbook *The Chinese Economy* by Barry Naughton. It is available on the course website. **DO NOT SHARE OR CIRCULATE.**
- **Most other required readings** are available **online** through Western Libraries website or at public websites. You can access journal articles online through Western Libraries e-journals. The reading list shows links to public websites, where available.
- Copies of **required readings unavailable online will be posted on the course website** *for your personal and academic use only; they must not be shared or circulated.*

3. **Chinese names:** Below Chinese-language surnames appear first, followed by the given name, e.g., Mao Zedong refers to a person whose surname is “Mao” and given name “Zedong.”

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## I. Introduction

Naughton, “Introduction: The Chinese Economy in Context.” (00 Introduction 2016 Stripped.pdf)

## II.A. China’s Economic Performance: Data and Measurement Issues

### 1. Purchasing Power Parity (PPP) Exchange Rates

*For fun, see this summary of blog posts by economists about recent PPP exchange rate estimates and their relevance to China.* <http://bruegel.org/2014/05/blogs-review-chinas-gdp-ppp-to-surpass-the-united-states/>

“The Big Mac Index: Patty-purchasing Parity,” *The Economist*, 23 July 2016, <http://www.economist.com/news/finance-and-economics/21702482-size-world-economymeasured-burgers-patty-purchasing-parity>. *This article gives the latest report from the Economist of its “Big Mac” index—a light-hearted introduction to exchange rate versus PPP methods relevant for converting China’s (and other countries’) GDP into dollars. See also the Economist’s interactive Big Mac Index tool at* <http://www.economist.com/content/big-mac-index>.

Frankel, Jeffrey, “China Is Not Yet #1,” Jeffrey Frankel’s Blog, May 9, 2004, <http://voxeu.org/article/china-not-yet-number-one>. *Frankel’s thought-provoking blog about the use of PPP exchange rates to understand China’s economy. Not everyone will agree, but his view deserves consideration.*

### 2. Reliability of China’s GDP Statistics

Lelyveld, Michael, “China Renews Push to Curb Data Fraud,” *Radio Free Asia*, Jan. 12, 2015, [http://www.rfa.org/english/commentaries/energy\\_watch/china-economic-data-fraud-01122015111654.html/](http://www.rfa.org/english/commentaries/energy_watch/china-economic-data-fraud-01122015111654.html/). *A news report on recent measures in China to deal with inflated GDP reporting by local level governments and to reduce the discrepancy between provincial-level and national-level GDP statistics.*

The Economist, “China’s Data: Superstition Ain’t the Way,” *The Economist*, Sept. 3, 2016, <http://www.economist.com/news/finance-and-economics/21706272-why-do-people-still-pay-rapt-attention-chinas-unsatisfactory-growth-statistics>. *The latest on China’s GDP statistics and, in case you didn’t know, corruption charges against the former head of the National Bureau of Statistics. Gives a good, succinct overview of problems with official Chinese GDP data.*

Naughton, “6, Growth and Structural Change,” pp. 1-6 only (06 Growth and Structural Change 2015.pdf)

Holz, Carsten, “The Quality of China’s GDP Statistics,” *China Economic Review* 30(2014): 309-338, read only pp. 309-329 and the conclusion (skip section 4 on Benford’s Law). *This article gives an excellent review of past and present problems with China’s official GDP statistics. He carries out some checks on the data and finds no evidence of deliberate falsification.*

## **II.B. China's Economic Performance: Growth, Structural Change and Productivity**

Naughton, “6: Growth and Structural Change,” (06 Growth and Structural Change 2015.pdf) and “5. The Urban-Rural Divide,” (05 Urban-Rural 2015.pdf).

## **II.C. China’s Economic Performance: Quality of Life**

Rosling, Hans. Debunking Third-World Myths with the Best Stats You've Ever Seen. February, 2006  
[\[http://www.ted.com/index.php/talks/hans\\_rosling\\_shows\\_the\\_best\\_stats\\_you\\_ve\\_ever\\_seen.html\]](http://www.ted.com/index.php/talks/hans_rosling_shows_the_best_stats_you_ve_ever_seen.html). *An entertaining video that tells the big picture of changes in income and health worldwide—keep an eye on the China bubble in Rosling’s animated graphs.*

United Nations Development Programme and Development Research Center of the State Council of China, *China National Human Development Report 2016: Social Innovation for Inclusive Human Development*, Beijing: China Translation and Publishing House, 2016. Read only the Introduction, section 1.4 of Chapter 1, and Chapter 2 (pp. 1-4, 18-40), plus the “Key Messages” at the start of all chapters. Peruse the statistics in the Annex. *Discusses the concept of human development and gives an excellent overview of China’s accomplishments and challenges in this area. Unassigned sections are recommended, optional reading.*

Naughton, “9. Living Standards: Incomes, Inequality and Poverty,” (09 Living Standards 2015 Draft.pdf).

Lum, Thomas, “Human Rights in China and U.S. Policy, Issues for the 114th Congress,” U.S. Congressional Research Service 7-5700, R43964, 17 September 2015, <https://www.fas.org/sgp/crs/row/R43964.pdf>. Read pp. 1-36 only. *A thorough, recent review of China’s human rights record, noting both progress and problems.*

### **III. Initial Conditions**

Naughton, “1. The Geographical Setting” and “2. The Chinese Economy before 1949,” (01 geography 2016 stripped.pdf and 02 history 2015.pdf)

#### **IV.A. China’s Development Strategy: The Maoist Period**

Eckstein, Alexander. China's Economic Revolution. New York: Cambridge University Press, 1977, 31- 65 (chapter 2) [posted on course website]. *An old piece, written before the reforms, but with a good summary of development strategies during the Maoist period.*

#### **IV.B. China’s Development Strategy: The Post-Mao Reform Period, 1980s to 2013**

Naughton, “4. Market Transition: Strategy and Process,” (04 Transition 2015.pdf).

#### **IV.C. China’s Development Strategy: Policies and Outcomes, 1950s to 2013**

Naughton, “3. The Socialist Era, 1949–1978: Big Push Industrialization and Policy Instability,” (03 Socialist 2015.pdf), and review “4. Market Transition...”

REVIEW relevant readings and lectures from I.A and II.B

#### **IV.D. China’s Development Strategy and Outcomes: Recent Developments 2013 to present**

Note: The 2013 Third Plenum was a major policy meeting that marked the leadership transition and new policy directions as Xi Jinping took charge. *The readings below discuss policies announced at the Third Plenum and policy developments since then. (I may add or substitute other readings here if any interesting documents or analyses emerge as we go along.)*

“CCP Central Committee Resolution Concerning Some Major Issues in Comprehensively Deepening Reform,” passed at the 3rd Plenum of the 18th Central Committee of the Chinese Communist Party (CCP), 12 November 2013  
[\[https://chinacopyrightandmedia.wordpress.com/2013/11/15/ccp-central-committee-resolution-concerning-some-major-issues-in-comprehensively-deepening-reform/\]](https://chinacopyrightandmedia.wordpress.com/2013/11/15/ccp-central-committee-resolution-concerning-some-major-issues-in-comprehensively-deepening-reform/) . *Read sections I-VII. This is the key document from the 3rd Plenum discussed by Naughton in his speech. This document and Naughton’s speech provide important background for understanding economic policy and developments since 2013. Watch Naughton’s speech before you read this document, which is a bit heavy going.*

Kroeber, Arthur, "Large and In Charge: Why Xi Jinping's Pooh-poohed Third Plenum Reforms Are Actually a Pretty Big Deal," *Foreign Policy*, Nov. 14, 2013, <http://foreignpolicy.com/2013/11/14/large-and-in-charge/>

Fan, C. Cindy, "China's Eleventh Five-Year Plan (2006-2010): From "Getting Rich First" to "Common Prosperity," *Eurasian Geography and Economics*, Vol. 47, No. 6 (November-December 2006): 708-723. *A discussion of the Hu-Wen development strategy and policy-making process as reflected in China's 11<sup>th</sup> FYP, which ran from 2006 through 2010.*  
<http://www.tandfonline.com/doi/pdf/10.2747/1538-7216.47.6.708?needAccess=true>

Roberts, Dexter, "China's Dueling Economic Theories," *Bloomberg Business Week*, 22 March 2012. *A news report that outlines the Chongqing vs. Guangdong approaches to development in China and their importance at this point in China.*  
<http://www.businessweek.com/articles/2012-03-22/chinas-dueling-economic-theories>

## **V. Population and the Economy**

Vanderklippe, Nathan, "End of China's one-child policy is slowly giving 'ghost children' identities," *The Globe and Mail*, 3 April 2016, <http://www.theglobeandmail.com/news/world/end-of-chinas-one-child-policy-is-slowly-giving-ghost-children-identities/article29507109/>. *Less than a year ago China officially ended the one-child policy and now allows couples to have two children. This news report talks about how the change in policy has affected families.*

Naughton, "7. Population Growth and the One-Child Family" (07 Demography 2015.pdf).

## **VI. Income Distribution and Poverty**

Naughton, "9. Living Standards: Incomes, Inequality and Poverty," (09 Living Standards 2015 Draft.pdf), REVIEW.

Li, Shi, Luo, Chuliang, Sicular, Terry and Yue, Ximing, "Overview: Incomes and Inequality in China," draft paper, 2016 (uses the latest data through 2013, still being written, will be posted on the course website).

## **VII. Foreign Trade: China's Emergence as a Trading Nation, and China-Canada Trade**

Naughton, "16. International Trade," (16 International Trade Draft 2015.pdf)

Anderson, Jonathan. "Is China Export-led?" UBS Investment Research Asian Focus, September 27, 2009 [posted on course website, or [http://www.allroadsleadtochina.com/reports/prc\\_270907.pdf](http://www.allroadsleadtochina.com/reports/prc_270907.pdf)]. *This analysis raises key questions regarding the measurement of exports and their role in China's economic growth. The estimates he presents are not precise (see readings below for more careful estimates), but the questions he discusses are spot on.*

He Dong and Zhang Wenlang, "How Dependent Is the Chinese Economy on Exports and in What Sense Has Its Growth Been Export-Led?" *Journal of Asian Economics* 21, 1 (2010): 87-104. *A more in- depth empirical investigation of whether China's growth has been export-led.*



### Please Note

#### Department Policies for 2017 – 2018

Remember that the University expects all students to take responsibility for their own academic Programs. Also remember to check your registration to make sure you are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at <http://westerncalendar.uwo.ca>.
2. Students must familiarize themselves with the “Rules of Conduct for Examinations” <http://westerncalendar.uwo.ca/2017/pg136.html>.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other economics courses or programs. The University may impose further penalties such as a notation on your official academic transcript, suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. Whenever students take an idea or a passage from another author, they must acknowledge it by using quotation marks where appropriate and referencing with footnotes or citations. Plagiarism is a major academic offence (see Scholastic Offence Policy in the current UWO Academic Calendar at <http://westerncalendar.uwo.ca/2017/pg113.html>).

The University of Western Ontario uses software to check for plagiarism and students may be required to submit their written work in electronic form. Those found guilty will have penalties imposed as noted in point 3.

5. It is Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students are responsible for submitting assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the University’s Procedures in the current UWO Academic Calendar (<http://westerncalendar.uwo.ca/2017/pg112.html>). Please note the relevant deadlines.

The Department will not consider any appeal unless an attempt has been made to settle the matter first with your instructor. If after this discussion you remain dissatisfied with a grade or other decision, you may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for your appeal. A useful form and checklist is provided at ([http://economics.uwo.ca/undergraduate/program\\_counselling/responsibilities\\_policies.html#appeals](http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals)).

7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.
8. Note the following add and drop deadlines:

Last day to **add** a **1<sup>st</sup>** term half course: **Friday, September 15<sup>th</sup>, 2017**

Last day to **add** a **2<sup>nd</sup>** term half course: **Tuesday, January 16<sup>th</sup>, 2018**

Last day to **drop** **1<sup>st</sup>** term half course without academic penalty: **Monday, November 13<sup>th</sup>, 2017**

Last day to **drop** **2<sup>nd</sup>** term half course without academic penalty: **Wednesday, March 7<sup>th</sup>, 2018**

9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is not an excuse for a make-up. This rule applies to all mid-term tests and final exams in the Department of Economics.

### **Policy Regarding Makeup Tests and Final Examinations**

*Academic accommodation will **not** be granted automatically on request. You **must** demonstrate by documentation that there are **compelling** medical or compassionate grounds before academic accommodation will be considered.*

If you decide to write a test or an examination, you must be prepared to accept the mark you earn. Rewriting tests or examinations, or having the value of the test or examination reweighted on a retroactive basis, is **not** permitted. Book airline flights after you know the dates of your final examinations. Airline flights must not conflict with test or final exams.

If you are requesting a makeup test for a midterm or a final examination, unless medically incapable, notify your instructor by email or phone, preferably prior to the scheduled date of the test, but definitely within **24 hours** of the date of the test or exam. Failure to follow this procedure may result in denial of a request for academic accommodation or result in a grade of zero. Set up an appointment as soon as possible to meet personally with your instructor. If the instructor is not available, you may send an email message, copying the Undergraduate Coordinator at [econugrd@uwo.ca](mailto:econugrd@uwo.ca) (Social Science Room 4075). **Notifying your instructor of a missed test or exam does not automatically entitle you to a makeup test.**

Students who seek a makeup test or examination must provide medical or other relevant verification that their absence from a regularly scheduled test or examination is beyond their control. Documentation must support your reasons. Medical documentation should be given to the Academic Counselling Office of your *home* Faculty **as soon as possible (preferably within 24 hours of the test)** if you know you may not be able to write your final examination on the scheduled day and time. Failure to follow this procedure, or to provide supporting documentation, may result in denial of a request for academic accommodation or result in a grade of zero. If your documentation is not acceptable, you will be given a zero for the missed test.

For personal illness, if you consult Student Health Services regarding your illness or personal problem, you should request a Student Medical Certificate from the physician. If you were seen by an off-campus doctor, obtain a certificate from his/her office at the time of your visit. The off-campus medical certificate form must be used and can be found at: [http://www.uwo.ca/univsec/pdf/academic\\_policies/appeals/medicalform.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf). Notes stating "For Medical Reasons" are not considered sufficient.

For any other circumstances, if you are not sure what documentation to provide, ask your Academic Counsellor. If your documentation is judged sufficient, the Academic Counsellor will issue a Recommendation for a Special Examination (a single form for midterms or a triple color form for final examinations). Once you have this form, contact your instructor as soon as possible to make arrangements. Even if approved from your home faculty Academic Counsellor, there is no guarantee that you will be allowed to write the makeup test and exam.

For final examinations, you need permission from your *home* Faculty Counsellor, your instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in an examination grade of zero. You must ensure that the Special Examination form has been signed by the instructor and Department Undergraduate Director and that the form is returned to the Academic Counselling Office for approval without delay. Make-up final examinations, if permitted, will be written within one month of the end of the exam period.

**Policies Regarding Academic Accommodation**

Information about the Faculty of Social Science's policies regarding academic accommodation is found on its website at <http://counselling.ssc.uwo.ca/procedures/havingproblems.asp> or in Social Science Room 2105. Your "Academic Rights and Responsibilities" are also outlined in the current UWO Calendar at <http://westerncalendar.uwo.ca/2017/pg111.html>. Claiming that "you didn't know what to do" is not an acceptable excuse for not following the stated procedures.

**Policy Regarding Class Attendance**

If your instructor views your class attendance as unsatisfactory, you can be prohibited from writing the final examination. If there is intent to make use of this University policy, you will be notified in writing.

**Statement on Mental Health and Support Services**

If you or someone you know is experiencing emotional/mental distress, there are several resources here at Western to assist you. Please visit <http://www.uwo.ca/uwocom/mentalhealth/> for more information and a complete list of resources, as well as how to obtain help.