

**THE ECONOMICS OF CHINA**  
**ECONOMICS 2128B-001**  
Department of Economics  
Western University

**January 2019**

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**Office Hours:** Fri. 1:00-3:00pm  
**Class Times:** Mon., Wed., and Fri. 3:30-4:30pm  
**Classroom:** B&GS 0165  
**Course website:** <https://owl.uwo.ca/portal>  
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### **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.

### Evaluation:

The course grade will be based on:

	Weight
<b>Assignments</b>	<b>5% each, 10% in total</b>
<b>Tests (Best 2 out of 3)</b>	<b>25% each, 50% in total</b>
<b>Final</b>	<b>40%</b>

Requirements for this course include assignments, tests, and a final exam.

During the term I will give 2 **assignments**. There would be a specific reading 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.

There will be 3 **in-class tests**, each of 50 minutes, and each worth of 25 marks. The lowest test mark will be dropped. There is no make-up tests. The tests will occur in-class on:

Friday, January 25<sup>th</sup>;  
Friday, February 15<sup>th</sup>;  
Friday, March 15<sup>th</sup>.

There will be a two-hour **final exam** as scheduled by the Office of the Registrar. The three tests and the final exam will contain a mixture of multiple choice and short answer questions.

## **TENTATIVE COURSE OUTLINE**

- I.Introduction (1 week)
- II.-IV.China’s Economic Performance (2-3 weeks)
- V.Initial Conditions (1 week)
- VI.-VIII.China’s Development Strategy (2 weeks)
- IX.Population and the Economy (1-2 weeks)
- X.Income Distribution and Poverty (1 week)
- XI.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. Readings with stars are required.

#### **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. Geographical Setting

\*Naughton, “1. The Geographical Setting” (01 geography 2016 stripped.pdf)

## II. China’s Economic Performance: Measurement Issues

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

\*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.*

\*“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>.*

\*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.*

*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/>*

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.*

### III. China's Economic Performance: GDP Growth, Structural Change and Productivity

\*Naughton, “6: Growth and Structural Change,” (06 Growth and Structural Change 2015.pdf).

### IV. China’s Economic Performance: Quality of Life

\*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, and Chapter 2 (pp. 23-40). 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.*

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.*

### V. Initial Conditions

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

Youtube video on Japanese invasion [<http://www.youtube.com/watch?v=n-rnwZCJTOE>].

Youtube video on opium wars and foreign influences [<http://www.youtube.com/watch?v=DzsQjQatvL0>].

## VI. 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.*

## VII. China's Development Strategy: The Post-Mao Reform Period, 1980s to 2013

\*Naughton, "4. Market Transition: Strategy and Process," (04 Transition 2015.pdf).

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.*

\*Naughton, Barry, "What Are the Chances for Fundamental Policy Reform in China?" Keynote speech at the NYU Third Annual Conference on Chinese Capital Markets, 13 December 2013 [<https://www.youtube.com/watch?v=6CYBUDIPIG4>]. *At the 3rd Plenary Session (Plenum) of the Chinese Communist Party Central Committee in 2013, China's leadership issued a document that announced the reform directions China would follow under its then new leader Xi Jinping. In this speech, Naughton explains and analyses the content of that document and its implications for China's reform strategy.*

\*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/>

"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/>]. *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.*

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>

## **VIII. 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

## **IX. 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/>. *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).

Naughton, "5. The Urban-Rural Divide," (05 Urban-Rural 2015.pdf).

## **X. Income Distribution and Poverty**

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

\*TED talk on income inequality [[https://www.ted.com/talks/richard\\_wilkinson#t-995184](https://www.ted.com/talks/richard_wilkinson#t-995184)].

Li, Shi, Luo, Chuliang, Sicular, Terry and Yue, Ximing, "Overview: Incomes and Inequality in China, 2002-2007" draft paper, 2011(will be posted on the course website).

Li, Shi, Luo, Chuliang, Sicular, Terry and Yue, Ximing, "Overview: Incomes and Inequality in China, 2007-2013" draft paper, 2017 (will be posted on the course website).

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

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

\*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.*

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.*



## Please Note

### Department Policies for 2018-2019

Remember that the University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they 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://www.uwo.ca/univsec/pdf/academic\\_policies/exam/administration.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf).
  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 an official academic transcript, suspension or expulsion.
  4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at [http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page\\_20](http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20)).
- Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.
5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments in class or to the instructor during office hours.
  6. When appealing a mark, students should refer to the Student Academic Appeals section in the current Western Academic Calendar at: [http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page\\_14](http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14)  
Please note the relevant deadlines.

The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for their appeal. A 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:
 

|                                                    |                                 |
|----------------------------------------------------|---------------------------------|
| Deadline to <u>add</u> a second term half course:  | <b>Tuesday January 15, 2019</b> |
| Deadline to <u>drop</u> a second term half course: | <b>Thursday March 7, 2019</b>   |
9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

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

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

Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or having their value reweighted on a retroactive basis, is **not** permitted. Students must also book travel arrangements **AFTER** final exam dates have been posted as they must not conflict with test or final exams.

Unless medically incapable of doing so, students must notify their instructor prior to the test date or at least within **24 hours** when requesting a makeup exam. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment as soon as possible to meet with their instructor. If the instructor is not available, send an email message, copying the Undergraduate Coordinator at [econugrd@uwo.ca](mailto:econugrd@uwo.ca). **Notifying instructors of a missed exam does not automatically entitle students to a makeup.**

Students who seek a makeup exam must also provide supporting medical or other relevant documentation that their absence from a scheduled test or exam is beyond their control. Documentation should be submitted to the Academic Counselling Office of the student's *home* Faculty **as soon as possible (preferably within 24 hours of the scheduled test)**. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. If the documentation submitted is not acceptable, students will receive a zero for the missed test.

For personal illness, students may consult Student Health Services and request a Student Medical Certificate from the physician. If assessed by an off-campus doctor, students must obtain a certificate from his/her office at the time of the visit. The off-campus medical certificate form must also 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 religious or compassionate circumstances, students should ask their Academic Counsellor what documentation to provide. If 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 exams). Once students have this form, they must contact their instructor as soon as possible to make arrangements. Even if approved by their Academic Counsellor, there is no guarantee that students will be allowed to write the makeup test/exam.

For final examinations, students need to seek permission from their *home* Faculty Counsellor, Instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in a grade of zero. Students 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. If approved, makeup examinations will be written within one month of the end of the exam period.

### **Policies Regarding Academic Accommodation**

The Faculty of Social Science's policies regarding academic accommodation is found at [http://counselling.ssc.uwo.ca/procedures/having\\_problems/index.html](http://counselling.ssc.uwo.ca/procedures/having_problems/index.html).

"Academic Rights and Responsibilities" are also outlined in the Western Calendar at <http://westerncalendar.uwo.ca/PolicyPages.cfm?PolicyCategoryID=1&command=showCategory&SelectedCalendar=Live&ArchiveID=>. 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 the instructor deems a student's class attendance as unsatisfactory, that student may be prohibited from writing the final examination. If there is intent to make use of this University policy, the student will be notified in writing.

**Statement on Mental Health and Support Services**

Students under emotional/mental distress should visit [http://uwo.ca/health/mental\\_wellbeing/](http://uwo.ca/health/mental_wellbeing/) for more information and a complete list of resources on how to obtain help.