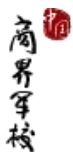




# PHBS

北京大学汇丰商学院



## Introduction to Chinese Economy Module 4, 2021-2022

### Course Information

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**Instructor: Calvin Dun Jia**

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Email: [dun.jia@phbs.pku.edu.cn](mailto:dun.jia@phbs.pku.edu.cn)

Office Hour: Tuesday 3:00 PM - 4:30 PM, Thursday 3:00 PM - 4:30 PM or by appointment

**Teaching Assistant: Calvin Roesli**

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**Classes:**

Lectures: Tuesday and Friday 10:30 AM-12:20 PM

Venue: TBD

**Course Website:**

All course related announcements, reading materials, and assignments will be posted at CMS. [https://cms.phbs.pku.edu.cn/claroline/course/index.php?cid=ITCE\\_001](https://cms.phbs.pku.edu.cn/claroline/course/index.php?cid=ITCE_001) (Login to CMS and search for "Introduction to Chinese Economy")

## 1. Course Description

### 1.1 Context

This course is a master-level and an advanced course on Chinese economy. We will discuss a range of themes and topics that are building blocks of this intriguing and dynamic economy. Students will start by reviewing the recent economic history and institutional details of China since early 20<sup>th</sup> century. We will visualize its transitioning from a closed and underperformed economy to the second largest economy in the world. We will in particular examine its industrialization, urbanization, central-local interaction, capitalization and internationalization over the past 40 years and end with digesting, summarizing and foreseeing the positioning of Chinese economy in the next decades.

### 1.2 Textbooks and Reading Materials

This course will be based on a variety of sources, but will heavily draw materials from the following textbooks and academic papers. Additional supplementary readings may be provided throughout the course when needed.

- Barry Naughton, *The Chinese Economy: Transitions and Growth*, Massachusetts Institute of Technology Press, 2007. [Naughton]
- Loren Brandt and T. Rawski, eds. *China's Great Transformation*. Cambridge: Cambridge University Press. 2008. [BR]
- Justin Yifu Lin. *Demystifying the Chinese Economy*. Cambridge: Cambridge University Press. 2011 [JustinLin]

- Joseph P. H. Fan and Randall Morck, eds. Capitalizing China. University of Chicago Press. 2012 [CapChina]
- Naughton, Barry and Kellee S. Tsai, eds. State Capitalism, Institutional Adaptation and the Chinese Miracle, Cambridge University Press, 2015. [NaughtonTsai]
- Steven N. S. Cheung, The Economic System of China, 2<sup>nd</sup> Edition, China CITIC Press, 2017. [Cheung]
- Qian, Yingyi, 2017. How Reform Worked in China, MIT Press. [Qian]
- Barry Naughton, The Chinese Economy: Adaptation and Growth, 2<sup>nd</sup> Edition, Massachusetts Institute of Technology Press, 2018. [Naughton2018]
- Marlene Amstad, Guofeng Sun and Wei Xiong, eds. The Handbook of China's Financial System, 1<sup>st</sup> Edition, Princeton University Press, 2020 [HandbookFin]
- 易纲, 《中国金融改革的实践总结》, 商务印书馆, 第2版, 2020
- 肖钢, 《中国资本市场变革》, 中信出版社, 第1版, 2020

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Yes. Group Project and Final Essay
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	Yes. Group Presentation and Final Essay
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	Yes. Group Project
	2.2. Students will be able to apply leadership theories and related skills.	Yes. Final Essay
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	Yes. Group Presentation and Final Essay
	3.2. Our students will practice ethics in the duration of the program.	Yes. Participation/Group Project/ Final Essay/ Problem Sets
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	Yes. International classroom environment
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	Yes. Book Chapters and Academic Papers
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Yes. Group Presentation and Final Essay
	5.3. Our students will demonstrate competency in critical thinking.	Yes. Final Essay

### 2.2 Course specific objectives

Upon completion, students are expected to gain comprehensive understandings of the different dimensions and the functioning mechanisms of Chinese economy. Ideally, students would be familiar with the Chinese economic and financial data and the associated analytical framework and methodology. Ultimately, students would be able to easily apprehend Chinese topics and

policies in the future for general reading purposes, and be equipped and prepared to form opinions and perspectives.

## **2.3 Assessment/Grading Details**

- 5% Class participation
- 30% THREE Problem Sets
- 30% Group Presentation + Slide/Summary Report Submissions
- 35% Essay

Your overall course grade will be a weighted average of scores of categories above. If at any point during the module you face circumstances which prevent you from attending the lecture, handing in the assignment/essay on time, and/or doing the presentation, please contact me as early as possible to manage the situation. There is little that can be done after an unsatisfactory grade has been assigned.

**Problem Sets:** each PS has 2 short essay questions for you to complete. Your answer to each question should be logically structured and be related to the materials we covered in class. Try cite numbers, quotes and conclusions from book chapters or research papers. For each problem set, your response to all questions in writing should not exceed the strict 2-page limit.

**Group Presentation and the Summary Report:** The group project is to deliver an oral presentation along with a high quality PPT slides of no more than 40 slides on an assigned topic. Below are some guidelines

- The group should work together to identify ONE most relevant and important question to understand on an approved topic related to our lectures
- The group as a team is expected to answer the identified question by using well presented data, evidence, or stylized facts with various sources or prepared on your own.
- The group presentation lasts about 15 minutes, followed by Q&A session, and additional comments of the instructor.
- Students in the same group will receive the same grade unless an individual member of the group fail to make significant contribution. In that case, other members of the group should inform teacher or TA before submitting the slides.
- After the presentation, the group is responsible to immediately send the slides as well as a written report summarizing the findings and conclusions to the instructor.
- The summary report should capture all information presented and all information that is not highlighted in the presentation. Your group report should not exceed the strict 5-page limit.

**Final Essay:** the topics for the final essay will be announced by the end of Lecture 16 and students can choose one from a short list of topics. The final essay should be between around 2000 to 3000 words, excluding cover page, references, and graphs. Your response to a selected topic in writing should not exceed the strict 6-page limit. The objective is to produce a quality writing piece with sufficient evidence and argument, plus critical thinking and sharp insights, taking advantage of the learning from lectures, discussions, and group work in this course. When you submit your essay, please include one cover page summarizing the most important information of the essay

- Your name, student number, course title, essay title.
- The key question of the essay
- Key statistics, data source, evidence, or stylized facts supporting the conclusions
- Key insights and main conclusions

## **2.4 Academic Honesty and Plagiarism**

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work;

taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

### 3. Topics, Teaching and Assessment Schedule

Lecture Weeks	Topic	Readings
1	Background: History, Institution and Transition	<ul style="list-style-type: none"> <li>■ [Naughton2018] Chap 1-5</li> <li>■ [JustinLin] Chap 2</li> <li>■ Bai, Ying and Jia, Ruixue, 2016. Elite Recruitment and Political Stability: The Impact of the Abolition of China's Civil Service Exam. <i>Econometrica</i>, 84: 677-733.</li> </ul>
2	Agricultural Transformation	<ul style="list-style-type: none"> <li>■ [JustinLin] Chap 7</li> <li>■ Lin, Justin. Collectivization and China's Agricultural Crisis in 1959–61, <i>Journal of Political Economy</i> 8:6, December 1990, pp.1228-1252</li> <li>■ Lin, Justin Yifu, 1992. Rural Reforms and Agricultural Growth in China, <i>American Economic Review</i>. 82(1): 34-51.</li> <li>■ Chen, Yi, Ziyang Fan, Xiaomin Gu, and Li-An Zhou. 2020. "Arrival of Young Talent: The Send-Down Movement and Rural Education in China." <i>American Economic Review</i>, 110 (11): 3393-3430.</li> <li>■ Chari, A., Liu, E. M., Wang, S. Y., &amp; Wang, Y. , 2021. Property rights, land misallocation, and agricultural efficiency in China. <i>The Review of Economic</i></li> </ul>

		Studies, 88(4), 1831-1862.
3	State-Owned Enterprises, the Private Sector and the Industrial Policy	<ul style="list-style-type: none"> <li>■ [NaughtonTsai] Chap 3 &amp; 6</li> <li>■ [JustinLin] Chap 4 &amp; 9</li> <li>■ Li, Wei, 1997. "The Impact of Economic Reform on the Performance of Chinese State Enterprises, 1980-1989," Journal of Political Economy, University of Chicago Press, vol. 105(5): 1080-1106.</li> <li>■ Lin, Justin Yifu, Fang Cai, and Zhou Li, 1998. Competition, Policy Burdens, and State-Owned Enterprise Reform. The American Economic Review 88(2): 422-27</li> <li>■ Huang, Zhangkai, Lixing Li, Guangrong Ma, and Lixin Colin Xu. 2017. "Hayek, Local Information, and Commanding Heights: Decentralizing State-Owned Enterprises in China." American Economic Review, 107 (8): 2455-78.</li> <li>■ Shang-Jin Wei &amp; Zhuan Xie &amp; Xiaobo Zhang, 2017. "From "Made in China" to "Innovated in China": Necessity, Prospect, and Challenges," Journal of Economic Perspectives, American Economic Association, vol. 31(1), pages 49-70</li> <li>■ Djankov, Simeon, Yingyi Qian, Gérard Roland, and Ekaterina Zhuravskaya. 2006. "Who Are China's entrepreneurs?" American Economic Review, 96 (2): 348-352.</li> <li>■ Xiaobo Zhang, Kong-Yam Tan, 2007. Incremental Reform and Distortions in China's Product and Factor Markets, The World Bank Economic Review, 21(2): 279-299</li> <li>■ Cao, Yuanzheng, Qian, Yingyi Qian and Barry R. Weingast, 1999. From federalism, Chinese style to privatization, Chinese style, The Economics of Transition, The European Bank for Reconstruction and Development, 7(1):103-131.</li> <li>■ Ernest Liu, 2019. Industrial Policies in Production Networks, The Quarterly Journal of Economics, 134(4): 1883-1948</li> <li>■ Harald Hau, Yi Huang, Gewei Wang,</li> </ul>

		Firm Response to Competitive Shocks: Evidence from China's Minimum Wage Policy, <i>The Review of Economic Studies</i> , 87(6): 2639–2671. 2020
4	Economic Growths	<ul style="list-style-type: none"> <li>■ Wei, Shang-Jin, and Xiaobo Zhang, 2011. The Competitive Saving Motive: Evidence from Rising Sex Ratio and Savings Rates in China, <i>Journal of Political Economy</i>, 119(3), pp. 551-564.</li> <li>■ Zhu, Xiaodong. "Understanding China's Growth: Past, Present, and Future", <i>Journal of Economic Perspectives</i> 26(4): 103–124, 2012.</li> <li>■ Song, Zheng, Kjetil Storesletten, and Fabrizio Zilibotti, 2011. "Growing like China," <i>American Economic Review</i>, 101(1), pp. 196–233.</li> <li>■ Yang, Xiaokai, and Jeff Borland. 1991. "A Microeconomic Mechanism for Economic Growth." <i>Journal of Political Economy</i> 99, no. 3: 460–82.</li> <li>■ Bai, Chong-En, Jiangyong Lu, and Zhigang Tao. 2006. "The Multitask Theory of State Enterprise Reform: Empirical Evidence from China." <i>American Economic Review</i>, 96 (2): 353-357.</li> <li>■ Wei Xiong, 2018. "The Mandarin Model of Growth", Working Paper</li> <li>■ Piketty, Thomas, Li Yang, and Gabriel Zucman. 2019 "Capital accumulation, private property, and rising inequality in China, 1978–2015." <i>American Economic Review</i> 109, no. 7: 2469-96.</li> </ul>
5	Government and Fiscal Issues	<ul style="list-style-type: none"> <li>■ [JustinLin] Chap 3</li> <li>■ [CapChina] Chap 8</li> <li>■ [BR] Chap 12</li> <li>■ [Qian] Chap 7-9</li> <li>■ Huang, Yi, Marco Pagano, and Ugo Panizza, 2020. "Local Crowding-Out in China." <i>The Journal of Finance</i> 75(6): 2855-2898.</li> <li>■ Chen, Zhao, Zhikuo Liu, Juan Carlos Suárez Serrato, and Daniel Yi Xu. 2021. "Notching R&amp;D Investment with</li> </ul>

		<p>Corporate Income Tax Cuts in China." American Economic Review, 111 (7): 2065-2100.</p> <ul style="list-style-type: none"> <li>■ Ru, Hong, 2018. "Government Credit, a Double-Edged Sword: Evidence from the China Development Bank", Journal of Finance 73(1): 275-316.</li> </ul>
6	Macroeconomic Dynamics and Monetary Policy	<ul style="list-style-type: none"> <li>■ [HandbookFin] Chap 1-4 &amp; 6</li> <li>■ Yi, Gang, 2021. China's Interest Rate System and Market-based Interest Rate Reform(English Version, Open-source). Originally published on the Journal of Financial Research (Chinese), Issue 9, 2021.</li> <li>■ Chun Chang, Kaiji Chen, Daniel F. Waggoner, and Tao Zha. 2016. Trends and Cycles in China's Macroeconomy NBER Macroeconomics Annual. 30:1-84</li> <li>■ Chen, Kaiji, Jue Ren, and Tao Zha. 2018. "The Nexus of Monetary Policy and Shadow Banking in China." American Economic Review, 108 (12): 3891-3936.</li> <li>■ Zhuo Chen, Zhiguo He, Chun Liu, 2020. The Financing of Local Government in China: Stimulus Loan Wanes and Shadow Banking Waxes J. Financ. Econ., 137 (1): 42-71</li> <li>■ Lin William Cong, Haoyu Gao, Jacopo Ponticelli, Xiaoguang Yang, Credit Allocation Under Economic Stimulus: Evidence from China, The Review of Financial Studies, Volume 32, Issue 9, September 2019, Pages 3412–3460</li> <li>■ Sun, Guofeng, China's Shadow Banking: Bank's Shadow and Traditional Shadow Banking (November 8, 2019). BIS Working Paper No. 822</li> <li>■ Allen, Franklin, Qian, Yiming, Tu, Guoqian and Yu, Frank, 2019. "Entrusted loans: A close look at China's shadow banking system," Journal of Financial Economics, 133(1):18-41.</li> </ul>
7	Financial Markets	<ul style="list-style-type: none"> <li>■ [HandbookFin] Chap 5, 7 &amp; 11</li> <li>■ [JustinLin] Chap 8 &amp; 10</li> </ul>

		<ul style="list-style-type: none"> <li>■ Fang, Hanming, Quanlin Gu, Wei Xiong, and Li-An Zhou, 2016. "Demystifying the Chinese housing boom." NBER macroeconomics annual 30(1): 105-166.</li> <li>■ Chen, Kaiji, and Yi Wen, 2017. "The great housing boom of China." American Economic Journal: Macroeconomics 9(2): 73-114.</li> <li>■ Glaeser, Edward, Wei Huang, Yueran Ma, and Andrei Shleifer, 2017. "A real estate boom with Chinese characteristics." Journal of Economic Perspectives 31(1): 93-116.</li> <li>■ Geng Zhe and Jun Pan, 2021. "The SOE Premium and Government Support in China's Credit Market". Working Paper</li> <li>■ Jennifer N. Carpenter, F Lu, RF Whitelaw. 2021. "The real value of China's stock market". Journal of Financial Economics 139 (3), 679-696, 2021</li> <li>■ Yi Ding, Wei Xiong, and Jinfan Zhang, 2021. "Issuance Overpricing of China's Corporate Debt Securities", Journal of Financial Economics, <i>Forthcoming</i></li> <li>■ Xiong, Wei, and Jialin Yu. 2011. "The Chinese Warrants Bubble." American Economic Review, 101 (6): 2723-53.</li> </ul>
8	Opening and Globalization	<ul style="list-style-type: none"> <li>■ [Naughton2018] Chap 16-17</li> <li>■ [BR] Chap 16</li> <li>■ [HandbookFin] Chap 9-10</li> <li>■ Khandelwal, Amit K., Peter K. Schott, and Shang-Jin Wei. 2013. "Trade Liberalization and Embedded Institutional Reform: Evidence from Chinese Exporters." American Economic Review, 103 (6): 2169-95.</li> <li>■ 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.</li> <li>■ Kee, Hiau Looi, and Heiwai Tang. 2016. "Domestic Value Added in Exports:</li> </ul>



		<p>Theory and Firm Evidence from China." American Economic Review, 106 (6): 1402-36.</p> <ul style="list-style-type: none"> <li>■ 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): 2121-68</li> <li>■ Bloom, Nicholas, Mirko Draca, John Van Reenen, 2016. Trade Induced Technical Change? The Impact of Chinese Imports on Innovation, IT and Productivity, The Review of Economic Studies, 83(1): 87-117.</li> <li>■ Tombe, Trevor, and Xiaodong Zhu. 2019. "Trade, Migration, and Productivity: A Quantitative Analysis of China." American Economic Review, 109 (5): 1843-72.</li> </ul>
9	Recap and Summary	[Steven] Chap 1-9

#### 4. Miscellaneous

- As a student, you are responsible for upholding the academic integrity with full commitment to all the ethics, codes, and standards of the PHBS and those of Peking University.
- Show complete courtesy to your classmates and instructor by coming to class on time and switching your cell phones into silence mode during class.
- While sitting in the online lectures, please do stop other virtual activities and simply focus. Time with complete focus online is priceless.
- At any time during the module, please let me know what you think about this class and what can be improved. I appreciate all your feedbacks. Incorporating your suggestions will greatly help me in updating the course for future generations of students.