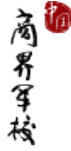




PHBS

北京大学汇丰商学院



ECON 552

Introduction to Chinese Economy Module 2, 2018-19

Course Information

Instructor: Professor Geng Xiao

Office: PHBS Building, Room 734

Phone: +86-755-2603-8458

Email: xiaogeng@phbs.pku.edu.cn

Office Hour: 15:30-16:30 on Monday and Thursday or by appointment

Teaching Assistant: Yeda Du

Phone: +86-176-8876-3427

Email: CNEcon_2018@163.com

Classes:

Lectures: Monday and Thursday, 13:30-15:20

Venue: Room 313, PHBS Building

1. Course Description

1.1 Summary of Course Contents

This course helps students to understand how the market-oriented economic reform and opening since 1978 have transformed China from a closed, centrally planned, and under-developed economy into the second largest economy in the world through rapid industrialization, urbanization, internationalization, and digitalization. It examines how the role of the state and the market, the global environment, and the technology are shaping the evolving growth model of China and the implications on future challenges. In addition to a review of historical achievements, the course will discuss a broad range of economic, social, environmental and geopolitical challenges as China strives to build a more open, innovative, inclusive, and sustainable growth model for the peace and prosperity of China and the World.

1.2 Textbooks and Reading Materials

No required textbooks for this course. The following reading materials serve as the base and starting points for preparing class discussion, assignment, group project, and final essay. Additional supplementary readings may be provided throughout the course when needed.

Selected reference books on the Chinese economy

- Arthur R. Kroeber, *China's Economy: What Everyone Needs to Know*, Oxford University Press, 2016.
- Barry Naughton, *The Chinese Economy: Adaptation and Growth*, Second Edition, The MIT Press, 2018.
- Graham Allison, *Destined for War: Can America and China Escape Thucydides's Trap?* Houghton Mifflin Harcourt, 2017.
- Steven N. S. Cheung, *The Economic System of China*, China CITIC Press, 2009.
- Steven N. S. Cheung, *Will China go 'capitalist'? an economic analysis of property rights and institutional change*, Institute of Economic Affairs, 1986.

- www.project-syndicate.org/columnist/geng-xiao
- Xiao Geng, Zhang Yansheng, Law Cheung-Kwok and Dominic Meager, **China's Evolving Growth Model: The Foshan Story**, Fung Global Institute and Amazon Digital Publishing, 2015.
- Yukon Huang, **Cracking the China Conundrum: Why Conventional Economic Wisdom Is Wrong**, Oxford University Press, 2017.

Lecture Topic 1. Overview of China's economic reform and opening

- https://www.ted.com/talks/martin_jacques_understanding_the_rise_of_china (video)
- Andrew Sheng and Xiao Geng, China's Incomplete Contracts, [Project Syndicate](http://ProjectSyndicate.org), October 31, 2016.
- Andrew Sheng and Xiao Geng, Beyond Structural Reform in China, [Project Syndicate](http://ProjectSyndicate.org), July 29, 2016.
- Andrew Sheng and Xiao Geng, China's Reform Roadmap, [Project Syndicate](http://ProjectSyndicate.org), November 9, 2013.
- Andrew Sheng and Xiao Geng, China's Antifragile Ambitions, [Project Syndicate](http://ProjectSyndicate.org), January 16, 2012.
- World Bank and Development Research Center of the State Council of PRC. [China 2030](http://China2030.org). Washington D.C.: World Bank Group.

Lecture Topic 2. China's evolving growth model

- Andrew Sheng and Xiao Geng, Micro, Macro, Meso and Meta Economics, [Project Syndicate](http://ProjectSyndicate.org), October 9, 2012.
- Andrew Sheng and Xiao Geng, Coase's Chinese Legacy, [Project Syndicate](http://ProjectSyndicate.org), September 18, 2013.
- Andrew Sheng and Xiao Geng, China's Institutional Challenge, [Project Syndicate](http://ProjectSyndicate.org), December 17, 2015.
- Andrew Sheng and Xiao Geng, China's Trial and Error Economy, [Project Syndicate](http://ProjectSyndicate.org), March 20, 2015.
- Andrew Sheng and Xiao Geng, Experimental China, [Project Syndicate](http://ProjectSyndicate.org), June 16, 2015.
- Andrew Sheng and Xiao Geng, China's Dual-Track Challenge, [Project Syndicate](http://ProjectSyndicate.org), February 26, 2015.
- Andrew Sheng and Xiao Geng, Modernity with Chinese Characteristics, [Project Syndicate](http://ProjectSyndicate.org), October 25, 2017.
- Andrew Sheng and Xiao Geng, Why There Is No "Beijing Consensus", [Project Syndicate](http://ProjectSyndicate.org), February 27, 2018.
- Andrew Sheng and Xiao Geng, The Right Way to Judge Chinese Governance, [Project Syndicate](http://ProjectSyndicate.org), March 26, 2018.
- Andrew Sheng and Xiao Geng, Managing China's Global Risks, [Project Syndicate](http://ProjectSyndicate.org), May 29, 2018.
- Andrew Sheng and Xiao Geng, Stress Testing China's System Reform, [Project Syndicate](http://ProjectSyndicate.org), July 25, 2018.
- https://www.ted.com/talks/eric_x_li_a_tale_of_two_political_systems (video)
- Fukuyama, Francis. "Reflections on Chinese Governance." [Journal of Chinese Governance](http://JournalofChineseGovernance.org), Vol 1, No. 3, 379-391, 2016.
- Y. Z. Cao, Y. Y. Qian and B. R. Weingast, From federalism, Chinese style to privatization, Chinese style, [Economics of Transition](http://EconomicsofTransition.org) 7(1): 103-131, 1999.

Lecture Topic 3. China's integration into the global value chain: The story of Foshan

- Andrew Sheng and Xiao Geng, Foshan's Four Surprises, [Project Syndicate](http://ProjectSyndicate.org), December 23, 2013.
- Xiao, G., Zhang, Y. S., Law, C. K., & Meager, D. (2016). [The Future of China: The Foshan Model](http://TheFutureofChina.org). Beijing: The CITIC Press.
- https://www.ted.com/talks/parag_khanna_how_megacities_are_changing_the_map_of_the_world
- <http://www.mckinsey.com/global-themes/china/chinas-role-in-the-next-phase-of-globalization>

Lecture Topic 4. China and the world economy

- Wang, J., Pomeroy, J. (2016). *China and the World: New frontiers, fresh connections*. Hong Kong: HSBC Global Research.
- OECD. (2017). *Economic Survey of China: Assessment and recommendations*. Paris: OECD.
- Xi, J.P. (2015). *Towards a Community of Common Destiny and A New Future for Asia*, Keynote Speech at the Boao Forum For Asia, Boao, March 28, 2015.
- <http://www.mckinsey.com/global-themes/china/chinas-one-belt-one-road-will-it-reshape-global-trade>
- <http://english.gov.cn/BeltAndRoad/>
- Xi, J.P. (2016). *Jointly Shoulder Responsibility of Our Times, Promote Global Growth*. Keynote Speech at the World Economic Forum, Davos, January 17, 2017.
- https://www.ted.com/talks/kevin_rudd_are_china_and_the_us_doomed_to_conflict (video)

Lecture Topic 5. China's macroeconomic and financial challenges

- Andrew Sheng and Xiao Geng, China's Road to Sustainable Growth and Financial Stability: A Systemic Perspective, *China's Road to Greater Financial Stability: Some Policy Perspectives*, edited by Udaibir S. Das, Jonathan Fiechter, and Tao Sun, International Monetary Fund, 2013.
- Geng Xiao, China's Exchange Rate and Monetary Policies: Structural and Institutional Constraints and Reform Options. *Asian Economic Papers* (USA, MIT Press), page 31-49, 7:3, 2008.
- Geng Xiao, China's exchange rate policy and what it means for the dollar, *What Matters*, McKinsey & Company, January 13, 2010.
- Geng Xiao, Is the Renminbi the next global currency? *McKinsey Quarterly*, February, 2010.
- Andrew Sheng and Xiao Geng, Trumping the Renminbi, *Project Syndicate*, January 27, 2017.
- Andrew Sheng and Xiao Geng, Trumping the International Monetary System, *Project Syndicate*, November 23, 2016.
- Matthew Harrison and Geng Xiao, Enhanced Special Drawing Rights: How China Could Contribute to a Reformed International Monetary Architecture, *China & World Economy*, 41-61, Vol 26, No. 4, 2018.
- Andrew Sheng and Xiao Geng, From Dollar to e-SDR, *Project Syndicate*, April 27, 2018.
- <https://www.centralbanking.com/central-banking/news/2469678/pboc-faces-the-most-challenging-work-of-all-central-banks-hku-s-xiao> (video)

Lecture Topics 6. The US-China economic relations

- https://www.ted.com/talks/joseph_nye_on_global_power_shifts (video)
- Fukuyama, Francis. "America in Decay: The Sources of Political Dysfunction." *Foreign Affairs*, September/October 2014.
- Oxford Economics (2017). *Understanding the US-China Trade Relationship*. Washington DC: The US-China Business Council.
- Michael J. Mazarr, Timothy R. Heath, Astrid Stuth Cevallos, *China and the International Order*, Rand Corporation, 2018.
- Information Office of the State Council of PRC, *The Facts and China's Position on China-US Trade Friction*, September 2018.
- Andrew Sheng and Xiao Geng, Anger in American, *Project Syndicate*, June 25, 2018.
- Andrew Sheng and Xiao Geng, America's Self-Defeating China Policy, *Project Syndicate*, October 30, 2018.
- Andrew Sheng and Xiao Geng, Chinese Reform During a Trade War, *Project Syndicate*, September 2, 2018.

Discussion Topic 1. The development of China's Pearl River Delta bay area

- Andrew Sheng and Xiao Geng, The Promise of China's Pearl River Delta, *Project Syndicate*, May 26, 2017.

- Andrew Sheng and Xiao Geng, Unlocking the Potential of Chinese Cities, Project Syndicate, March 28, 2017.
- Andrew Sheng and Xiao Geng, How Cities Are Saving China, Project Syndicate, August 28, 2018.
- Li, Vicky; Wang, Yi; Chen, Doris. Guangdong-Hong Kong-Macau: Creating Tomorrow's Greater Bay. Goldman Sachs Equity Research, July 6, 2017.
- World Bank and Development Research Center of the State Council of PRC, Urban China: Toward efficient, inclusive, and sustainable urbanization. Washington D.C.: World Bank Group, 2014.
- <http://www.mckinseychina.com/wp-content/uploads/2015/07/mckinsey-china-effect-on-global-innovation-2015.pdf>

Discussion Topic 2. The risks and opportunities in China's housing markets

- Andrew Sheng and Xiao Geng, Keynes and Hayek in China's Property Markets, Project Syndicate, September 26, 2016.
- Andrew Sheng and Xiao Geng, Great Cities and Ghost Towns, Project Syndicate, September 18, 2014.
- Kwok, Michelle. China Real Estate: Catching Phoenixes. *HSBC Global Research*. June 2017.
- IMF, Assessing China's Residential Real Estate Market, People's Republic of China: Selected Issues. IMF Country Report No. 17/248. Washington D.C., International Monetary Fund 2017.
- World Bank, "Reforming China's Land Management" and "China's Urbanization and Land: A Framework for Reform" in Urban China: Toward efficient, inclusive, and sustainable urbanization. Washington D.C.: World Bank Group 2014.

Discussion Topic 3. The SOE reform and the rise of the private sector in China

- Andrew Sheng and Xiao Geng, China's State-Owned Enterprises at a Crossroads, Project Syndicate, June 28, 2016.
- Geng Xiao, Xiuke Yang and Anna Janus, State-owned enterprises in China: Reform dynamics and impacts, pp. 155-178, in China's New Place in a World in Crisis: Economic, Geopolitical and Environmental Dimensions, edited by Ross Garnaut, Ligang Song, Wing Thye Woo, Asia Pacific Press, 2009.
- Geng Xiao, Reforming the Governance Structure of China's State Owned Enterprises. Public Administration and Development (UK), 18(3), pp. 273-280, 1998.
- Andrew Sheng, Yuan Wang, and Geng Xiao, Property Rights and 'Original Sin' in China: Transaction Costs, Wealth Creation and Property Rights Infrastructure, pp. 97-112, in Policy Reform and Chinese Markets: Progress and Challenges, Belton M. Fleisher, Nicholas C. ReHope, Anita Alves Pena, and Dennis Tao Yang, eds., Edward Elgar Publishing, 2008.
- Wang, Julia; Qu, Hongbin. China's Private Sector Revs Up: It Is Structural. *HSBC Global Research*. July 18, 2017.
- "Tackling Corporate Debt and Achieving Productivity Gains: The Central Role of State-Owned Enterprises" in IMF. (2017). People's Republic of China: Selected Issues. IMF Country Report No. 17/248. Washington D.C., International Monetary Fund.
- The Economist. (2017) *China's supply-side structural reforms: Progress and outlook*. London: The Economist Intelligence Unit.

Discussion Topic 4. China's capital market development

- Andrew Sheng and Xiao Geng, The Next Phase of China's Financial Deepening, Project Syndicate, November 27, 2014.
- Andrew Sheng and Xiao Geng, Putting Asia's Savings to Work in Asia, Project Syndicate, February 21, 2017.
- Andrew Sheng and Xiao Geng, China's Live Stress Test, Project Syndicate, July 21, 2015.
- Andrew Sheng and Xiao Geng, Channeling China's Animal Spirits, Project Syndicate, May 26, 2015.

- Andrew Sheng and Xiao Geng, Moving from Debt to Equity in China, Project Syndicate, May 31, 2016.
- Andrew Sheng, Yuan Wang and Geng Xiao, Corporate Governance and Property Rights Infrastructure: The Experiences of Hong Kong and Lessons for China, pp. 113-124, in Policy Reform and Chinese Markets: Progress and Challenges, Belton M. Fleisher, Nicholas C. Hope, Anita Alves Pena, and Dennis Tao Yang, eds., Edward Elgar Publishing, 2008.
- Geng Xiao, Ten Policy Recommendations to Make Shanghai a Top IFC within a Decade, Brookings-Tsinghua Center for Public Policy, May 27, 2008.
- Geng Xiao, Challenges with Which Shanghai is Faced to Become a Global Financial Center & Its Policy Choices, Brookings-Tsinghua Center for Public Policy, February 25, 2008.
- ASIFMA. China's Capital Markets Navigating the Road Ahead. Hong Kong: Asia Securities Industry and Financial Markets Association, 2017.

Discussion Topic 5. China's high savings and its credit boom

- Qu, Hongbin; Wang, Julia; Li, Jing; Bhat, Aakanksha. How Worrying is China's Debt? *HSBC Global Research*, April 21, 2016.
- Andrew Sheng and Xiao Geng, China in the Debt-Deflation Trap, Project Syndicate, September 24, 2015.
- Andrew Sheng and Xiao Geng, China's Subprime Risks, Project Syndicate, July 28, 2014.
- Andrew Sheng and Xiao Geng, China's Risky Credit Boom, Project Syndicate, January 31, 2013.
- IMF, "China's High Savings: Drivers, Prospects, and Policies" and "Credit Booms: Is China Different?" in IMF. (2017). People's Republic of China: Selected Issues. IMF Country Report No. 17/248. Washington D.C., International Monetary Fund.
- <http://www.mckinsey.com/global-themes/employment-and-growth/capturing-chinas-5-trillion-productivity-opportunity>

Discussion Topic 6. China's fiscal challenges and its central-local government relations

- Andrew Sheng and Xiao Geng, Lending in the Dark, Project Syndicate, April 22, 2013.
- IMF, "Reassessing the Perimeter of Government and implications for Fiscal Space" and "Intergovernmental Fiscal Reform in China" in People's Republic of China: Selected Issues. IMF Country Report No. 17/248. Washington D.C., International Monetary Fund 2017.
- The Economist, Opening the books: Assessing local government credit risk in China. London: The Economist Intelligence Unit, 2016.
- World Bank, "Reforming Urban Finance" in World Bank and Development Research Center of the State Council of PRC. Urban China: Toward efficient, inclusive, and sustainable urbanization. Washington D.C.: World Bank Group 2014.

Discussion Topic 7. China's monetary policy: challenges and opportunities

- IMF, "A Market-Based Monetary Policy Approach for China" in People's Republic of China: Selected Issues. IMF Country Report No. 17/248. Washington D.C., International Monetary Fund, 2017.
- IMF, People's Republic of China: Staff Report for the 2017 Article IV Consultation. IMF Country Report No. 17/247. Washington D.C., International Monetary Fund, 2017.

Discussion Topic 8. RMB and China's capital account liberalization

- IMF, "China: Capital Account Liberalization" in IMF. (2017). People's Republic of China: Selected Issues. IMF Country Report No. 17/248. Washington D.C., International Monetary Fund.
- Ronald I. McKinnon, The Unloved Dollar Standard: From Bretton Woods to the Rise of China, Oxford University, 2012.
- Eswar S. Prasad, Gaining Currency: The Rise of the Renminbi, Oxford University Press, 2016.

Discussion Topic 9. Inequality in China: driving forces and policy options

- Piketty with Chinese Characteristics, Co-authored with Andrew Sheng, Project Syndicate, July 2, 2014.
- Naughton, B. (2017) *Is China Socialist?* Journal of Economic Perspectives. Volume 31, Number 1, pages 3-24.
- IMF, "Inequality in China – Trends, Drivers and Policy Remedies" in IMF. (2017). *People's Republic of China: Selected Issues*. IMF Country Report No. 17/248. Washington D.C., International Monetary Fund.

Discussion Topic 10. The digital transformation of China's economy and finance

- Andrew Sheng and Xiao Geng, China's New Digital Dividend, Project Syndicate, July 27, 2017.
- Andrew Sheng and Xiao Geng, Barbarians at the Monetary Gate, Project Syndicate, August 30, 2017.
- Andrew Sheng and Xiao Geng, The Making of China's Consumer Society, Project Syndicate, August 26, 2016.
- <http://www.mckinsey.com/global-themes/china/chinas-digital-economy-a-leading-global-force>

2. Learning Outcomes

2.1 Intended Learning Outcomes

| Learning Goals | Objectives | Assessment (1) to (4) |
|--|---|--|
| 1. Our graduates will be effective communicators. | 1.1. Our students will produce quality business and research-oriented documents. | Yes, see (2) and (4) |
| | 1.2. Students are able to professionally present their ideas and also logically explain and defend their argument. | Yes, see (3) |
| 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, see (3) |
| | 2.2. Students will be able to apply leadership theories and related skills. | Yes, see (3) |
| 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, see (1) and (3) |
| | 3.2. Our students will practice ethics in the duration of the program. | Yes, see (1) and (3) |
| 4. Our graduates will have a global perspective. | 4.1. Students will have an international exposure. | Yes, see the list of readings and course summary |
| 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, the first part of the course will review theories |
| | 5.2. Our students will be prepared to face problems in various business settings and find solutions. | Yes, see (3) and (4) |
| | 5.3. Our students will demonstrate competency in critical thinking. | Yes, see (4) |

2.2 Course specific objectives

- (A) Master basic concepts and tools of new institutional economics;
- (B) Use new institutional economics to examine the relations between the state and the market;
- (C) Explain the political economy of public policy making, globalization, and China's reform and opening;
- (D) Explain the impacts of institutions and institutional changes on the speed and quality of economic development;

2.3 Assessment/Grading Details

| | |
|--|------|
| (1) Class participation | 15% |
| (2) Assignment on literature review (no more than 10 slides) | 20% |
| (3) Group presentation (no more than 30 slides) | 30% |
| (4) Final essay (2000 words plus no more than 10 slides) | 35% |
| <hr/> | |
| Total | 100% |

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 Topics 1 to 6 will be discussed during class 1 to 8*
- *Assignment on literature review will be due on class 7*
- *Group presentation on discussion topics 1 to 10 will be conducted during class 9 to 18*
- *Final essay due one week after class 18*

End.