

THE GEORGE WASHINGTON UNIVERSITY
Department of Economics

Introduction to the Economy of the PRC	Economics 2169.10
Fall 2017	M 7:10 — 9:40
Location:	Funger 207
Professor Joseph Pelzman	Office — Monroe 319
Office Hours	W 2:00 – 4:00 & By Appointment
Office Phone	202-994-7108
E-Mail	jpelz@gwu.edu

COURSE DESCRIPTION

This course will provide an introduction to the economy of the People's Republic of China (PRC) and its role and impact on the world economy. The PRC's current economic challenges will be given particular attention.

The topics covered this semester include: the PRC during the communist era, pre 1979; economic reform and market transition; the role of state enterprises; foreign investment; foreign trade; PRC's role in the East Asian trade-production network; the PRC financial system; PRC monetary and exchange rate policy; PRC's role in global imbalances; the internationalization of the Yuan; and prospects for PRC's future – the bubbles.

I intend to run this class like a seminar, with active participation on your part. If you are looking for a course in which only the professor talks and you listen, then perhaps this isn't the course for you. On the other hand, if you are looking for a course in which we tackle some difficult questions that have great bearing on today's international economy, then we may have a mutually acceptable solution. Finally, if you have found that economics, both Marxist and ne-classical, is not your cup of tea you may want to reconsider taking this course. This is not a political economy course on the PRC nor a history course on the same.

AVERAGE MINIMUM AMOUNT OF INDEPENDENT, OUT-OF-CLASS, LEARNING EXPECTED PER WEEK:

According to university policy, over these 14 weeks for our 3-credit hour course you should average a minimum of 10 hours of independent learning per week in addition to the 2.30 hours per week of direct instruction. The actual amount of studying required depends on many factors including your background preparation, your study skills, and your target grade. Success in this class in particular is highly likely to require substantially more independent learning. More information about GW's credit hour policy can be found in the university bulletin: <http://bulletin.gwu.edu/university-regulations/>.

REQUIRED TEXT

Pelzman, Joseph. *Spillover Effects of China Going Global*, (2016). World Scientific Press. (Hereinafter Pelzman)

Naughton, Barry, *The Chinese Economy: Transitions and Growth*, MIT Press, 2007. (Hereinafter Naughton).

GRADING AND ATTENDANCE

I expect that you will be in class 100 percent of the time and actively participating in class discussion. Consequently, your level of participation in class will serve as part of the basis for evaluation (10%). There will be two exams, one after we finish the pre-1979 developments in the PRC and one after the post 1979 reforms were on their way. Each of those exams is worth 25% of your grade. The comprehensive final, given on the university designated time and date assignment is worth 40% of your grade. All exams are essay exams that will take the entire class period.

Based on past experience, in order to do well in my course, you will have to be familiar with the readings assigned over the course of the semester. There is no expectation that you will have to reproduce the mathematical arguments.

OFFICE HOURS

I am available for office hours between 2:00 PM and 4:00 PM on Monday and Wednesday. If that doesn't fit your schedule there is always email or Skype.

Given the length of the lectures we will have a 10-minute break at a convenient time in each lecture.

READINGS AND LECTURE LIST:

The dates to the right represent the dates when the material will be discussed in class. I reserve the right to revise this schedule if we need more time for a particular section. Some of the readings are math centric. Do not panic. Math is a language like Chinese. Practice will make you proficient.

Introduction

9/11/2017

Marx, Karl, [edited by Frederick Engels] *Capital: Volume I*, Random House.

Marx, Karl and Frederick Engels, *The Manifesto of the Communist Party*.

Orwell, George, *Animal Farm*.

Orwell, George, *Nineteen Eighty-Four*.

World Bank, *China 2030: Building a Modern, Harmonious, and Creative High Income Society*.

Xu, Chenggang, "The Fundamental Institutions of China's Reform and Development," *Journal of Economic Literature*, Vol. 49, No. 4 (DECEMBER 2011), pp. 1076-1151. Section 1.

Zhu, Xiaodong (2012), "Understanding China's Growth: Past, Present, and Future," *The Journal of Economic Perspectives*, Vol. 26, No. 4, Fall 2012.

The PRC – Pre 1979

9/18, 25 & 10/2/ 2017

Acemoglu, Daron, Simon Johnson and James Robinson, "Institutions as a Fundamental Cause of Long-run Growth," *Handbook of Economic Growth, Vol 1, Chapter 6*.

CIA, *The Chinese Cultural Revolution*, (25, May, 1967).

Naughton Chapters. 1, 2, and 3.

Joint Economic Committee, Congress of the USA, *China: A Reassessment of the Economy*, "Part I- Policy Assessments and Performance" 1975. pp. 20-145.

Marx, Karl, [edited by Frederick Engels] *Capital: Volume I*, Random House.

Exam Number 1

10/16/ 2017

Post 1979 Reforms

10/23, 30 & 11/6/ 2017

Brandt, Loren, Debin Ma and Thomas G. Rawski. "From Divergence to Convergence: Reevaluating the History Behind China's Economic Boom," *Journal of Economic Literature*, Vol. 52, No. 1 (MARCH 2014), pp. 45-123.

Fan, Simon and Xiangdong Wei. "The Law of One Price: Evidence from the Transitional Economy of China," *The Review of Economics and Statistics*, Vol. 88, No. 4 (Nov., 2006), pp. 682-697.

Jin, Hehui, Yingyi Qian and Barry R. Weingast, "Regional Decentralization and Fiscal Incentives: Federalism, Chinese style," *Journal of Public Economics*, 89 (2005) 1719 – 1742.

Joint Economic Committee, Congress of the USA, *China Under the Four Modernizations*, Part 1 – Setting, (August 1982), pp. 303 – 610.

Joint Economic Committee, Congress of the USA, *China's Economy Looks Toward the Year 2000, Volume I: The Four Modernizations, Part 1 – Setting*, (May 1986), pp. 1-146.

Lau, Lawrence J., Yingyi Qian and Gerard Roland, "Reform Without Losers: An Interpretation of China's Dual-Track Approach to Transition," *Journal of Political Economy*, Vol. 108, No. 1 (February 2000), pp. 120-143.

Li, Hongbin and Lian Zhou, "Political Turnover and Economic Performance: The Incentive Role of Personnel Control in China," *Journal of Public Economics*, 89 (2005) 1743 – 1762.

Maskin, Eric, Yingyi Qian, and Chenggang Xu, "Incentives, Information, and Organizational Form." *Review of Economic Studies*, April 2000, 67(2), pp. 359-78.

Naughton Chapter. 4.

Qian, Yingyi, and Chenggang Xu, "Why China's Economic Reform Differ: The M-form Hierarchy and Entry/Expansion of the Non-state Sector." *Economics of Transition*, June 1993, 1(2), pp. 135-170.

Qian, Yingyi, Gerard Roland and Chenggang Xu, "Coordination and Experimentation in M-Form and U-Form Organizations," *Journal of Political Economy*, Vol. 114, No. 2 (April 2006), pp. 366-402.

World Bank, World Development Report 1996: *From Plan to Market*.

Xu, Chenggang, "The Fundamental Institutions of China's Reform and Development," *Journal of Economic Literature*, 2011. Section 4 and 5.

Spillover Effects

11/20, 27, /12/4 & 11/ 2017

International Trade and the WTO

Fan, Simon. "Increasing Returns, Product Quality and International Trade," *Economica, New Series*, Vol. 72, No. 285 (Feb., 2005), pp. 151-169.

Harris, Richard G., Peter E. Robertson and Jessica Y. Xu. "The International Effects of China's Growth, Trade and Education Booms," *The World Economy* (2011), pp.703-1725.

Islam, Sadequl. "The Impact of China-ASEAN Free Trade Agreement on Textiles and Clothing Sectors of Asian Regions," in M. Parvizi Amineh (ed.) *State, Society and International Relations in Asia*. Amsterdam University Press. (2010)

Lardy, Nicholas R. "China, the World Economy, and U.S. Policy" in *Integrating China into the Global Economy*. Brookings Institution Press. (2002).

Levchenko, Andrei A. "Institutional Quality and International Trade," *The Review of Economic Studies*, Vol. 74, No. 3 (Jul., 2007), pp. 791-819.

Pelzman, Chapters 1, 2, 3, 4, 5 and 6.

Potter, Pitman B. "China and the International Legal System: Challenges of Participation," *The China Quarterly*, No. 191, China's Legal System: New Developments, New Challenges (Sep., 2007), pp. 699-715.

Foreign Aid

Brautigam, Deborah. "China's Foreign Aid in Africa: What Do We Know?" in Robert I. Rotberg (ed.) *China into Africa Book Subtitle: Trade, Aid, and Influence*. Brookings Institution Press, World Peace Foundation. (2008).

Lin, Teh-chang. "The Donor Versus the Recipient Approach: A Theoretical Exploration of Aid Distribution Patterns in Taipei and Beijing," *Asian Perspective*, Vol. 24, No. 2 (2000), pp. 153-171.

Pelzman, Chapter 7.

van Dijk, Meine Pieter. "Introduction: Objectives of and Instruments for China's New Presence in Africa," in Meine Pieter van Dijk (ed.) *The New Presence of China in Africa*: Amsterdam University Press. (2009)

Outward Investment

Buckley, Peter J., Adam R. Cross, Hui Tan, Liu Xin and Hinrich Voss. "Historic and Emergent Trends in Chinese Outward Direct Investment," *Management International Review*, Vol. 48, No. 6 (2008), pp. 715-747.

Cui, Lin and Fuming Jiang. "State Ownership Effect on Firms' FDI Ownership Decisions Under Institutional Pressure: A Study of Chinese Outward-Investing Firms," *Journal of International Business Studies*, Vol. 43, No. 3 (April 2012), pp. 264-284.

Hong, Eunsuk and Laixiang Sun. "Dynamics of Internationalization and Outward Investment: Chinese Corporations' Strategies," *The China Quarterly*, No. 187 (Sep., 2006), pp. 610-634.

Morck, Randall, Bernard Yeung and Minyuan Zhao. "Perspectives on China's Outward Foreign Direct Investment," *Journal of International Business Studies*, Vol. 39, No. 3 (Apr. - May, 2008), pp. 337-350.

Pelzman, Chapter 8.

Wang, Mark Yaolin. "The Motivations behind China's Government-Initiated Industrial Investments Overseas," *Pacific Affairs*, Vol. 75, No. 2 (Summer, 2002), pp. 187-206.

Final Exam

University will set date.