

Course Form for PKU Summer School International 2024

Course Title	Title in English: Introduction to China's Economic Development
	Title in Chinese: 中国经济发展导论
Teacher	Minquan Liu (刘民权)
First day of classes	July 1, 2024
Last day of classes	July 12, 2024
Course Credit	3 credits
Course Description	
Objective:	
<p>China's unequalled and unprecedented rapid economic growth and development in recent decades has generated wide interest among the international researchers, media, and general public. As well as providing an overview of the rapid process of economic growth and structural transformation in the country in the last 45-75 years (as compared with the rest of the world), the course aims to explore issues including: why China achieved such rapid progress; what factors were responsible for that; what role the economic reforms and opening up (begun in 1978) played; what foundations were laid in the prior period of 1949-78 (i.e. the first thirty years of the People's Republic); internationally, what contributions were made by the new wave of globalization and fast expanding global production networks; what lessons and experiences one may draw for other developing countries (i.e. the transferability issue); and, finally, what key challenges lie ahead for the country. As much as possible, each lecture will present both facts and analyses based on these facts, using relevant models from economic theory, so as to provide students with a good understanding of the issues involved. It is expected that, upon completion of the course, each student will not only have a good knowledge of China's evolving economic system and changing economic conditions, but also a broad understanding of why and how different factors have combined to make possible China's impressive economic performance in the recent decades, and why some lessons may be transferable but others would seem not.</p>	
Pre-requisites /Target audience	
A university-level introductory course in Economics (e.g. Principles of Economics) and social sciences in general.	
Proceeding of the Course	
The course will consist of 10 morning lectures each for three hours, and 5 afternoon classes each for 3-4 hours, plus a field visit. The morning lectures are held every weekday, and the afternoon classes are	

for Q&A, student presentations and discussions..

Assignments

Reading: Some general references are provided below, with topic-specific references given under each topic. A prior reading of these is recommended but not a must. Further references specific to each topic will be provided just before or at each lecture.

Short Essays: Each student is required to make a short ppt presentation on a topic of his/her choice but related to the course, and to join another group presentation.

Term Paper: Each student is expected to write up a term paper on a topic closely related to the course.

Evaluation Details

Class Participation: 30%

Class Presentation: 20%

Final Term Paper: 50%

General Readings:

Naughton, Barry, 2007, *The Chinese Economy: Transitions and Growth*, 2nd edition, MIT Press, Cambridge.

Brandt, Loren and Rawski, Thomas G., 2008, *China's Great Economic Transformation*, Cambridge University Press, Cambridge.

Riskin, Carl, 1987, *China's Political Economy: The Quest for Development since 1949*, Oxford University Press.

Academic Integrity

Plagiarism is strictly prohibited. Plagiarism is defined as presenting others' work as one's own without making due attribution. Any material taken from another source must be fully acknowledged, unless the information is general knowledge. Any evidence of plagiarism can lead to a zero credit for your work and will be reported to the university authority.

CLASS SCHEDULE

(Subject to adjustment)

Session 1: China's Economic Growth and Development in International Perspective: An overview of key facts and issues

Date: 1/7/2024

【Description of the Session】

The Chinese economy underwent a very rapid process of growth and structural transformation in the last four and half decades, at a rate faster than that experienced by any other country of any significant size in their recent history. After a quick review of some key facts, this session will provide an overview of the issues involved:

- a) Why China achieved such rapid progress, and what factors were likely responsible for it;
- b) What role the economic reforms and opening up (begun roughly 45 years ago) played;
- c) What foundations were laid in the prior period of 1949-78, i.e. the first thirty years of the People's Republic;
- d) Internationally, what role the new wave of globalization and rapidly expanding global production

networks in recent decades have played.

An in-depth exploration into these issues is a key objective of this course. It is hoped that, by the end of the course, each student will be able to decide what they think are the key lessons and experiences emerging from China's course of development, and which of these, if any, would seem to be transferable to other developing countries, and which would seem not.

Needless to say, while China has made huge achievements in the recent decades, it is also facing various challenges. An overview of these will be provided in this session, with in-depth treatments of them to be taken up later in the course.

【Questions】

Questions for discussion and general thinking about are as listed above.

【Readings, Websites or Video Clips】

A quick browsing through Riskin's book and some other general references as listed above, and: Liu, M., *Understanding the Pattern of Growth and Equity in the People's Republic of China*, Asian Development Bank Institute working paper 331, 2011 (downloadable at: <https://www.adb.org/sites/default/files/publication/156186/adbi-wp331.pdf>).

【Assignments for this session】

Students are invited to draw down a list of the factors that they think are key to explaining China's recent economic successes and challenges, for discussion at the first afternoon class session.

Session 2: Models of Development

Date:2/7/2024

【Description of the Session】

This session reviews important models of economic development. Some of these models will serve as the key analytical frameworks within which we review evolving features of the Chinese economy and evaluate the progresses it has made.

- a) The concept of economic development;
- b) Arthur Lewis and economic development: sectoral labor transfer and economic structural transformation;
- c) Role of industrialization, manufacturing and services;
- d) Urbanization and social transformation (social development);
- e) Development: Which Way Now?
- f) Models of Human Development;
- g) Development Policy: Poverty, income inequality and development

【Questions】

Which model of development do you think captures the essence of "development", and provides the best framework for analyzing and evaluating economic and social progresses made by China and other developing economies?

【Readings, Websites or Video Clips】

Lewis, W.A., 1954, Economic development with unlimited supplies of labour, *Manchester School of Economics and Social Studies* (22): 139–191.
Sen, A.K., 1986, Development: Which way now? *The Economic Journal*, vol. 93, No. 372, pp.

<p>745-762 (downloadable at: http://digital.lib.ou.ac.uk/docs/bitstream/701300122/1090/1/development%20by%20sen.pdf. Sen, A.K., 2000, <i>Development as Freedom</i>, Anchor Books, New York.</p>	
<p>【Assignments for this session】 Students are encouraged to prepare around 10 ppt slides on the topic, for discussion at the second afternoon class session.</p>	
<p>Session 3: Urbanization and Rural-Urban Migration</p>	<p>Date:3/7/2024</p>
<p>【Description of the Session】 With the rapid economic structural transformation came rapid urbanization and social transformation, powered by rapid rural-urban migration. This lecture begins with the classic Harris-Todaro model of rural-urban migration. The model is then applied in an analysis of China’s rural-urban migration and urbanization processes, after introductions of some key institutional features important to these processes. Contents include:</p> <ol style="list-style-type: none"> a) The Harris-Todaro Model of rural-urban migration; b) Basic conditions of the rural sector in China and the role of rural non-farming activities; c) The Three Activity Model of farmers’ choice; d) The <i>hukou</i> system and ease of the barriers to rural-urban migration since the Reform; e) The role of rural land institutions and entitlements in conditioning rural-urban migration; f) Milestones of rural-urban migration and urbanization in China since the Reform. 	
<p>【Questions】 What are the main features of China’s rural-urban migration, and in what ways does it fit in with or deviate from the Harris-Todaro model?</p>	
<p>【Readings, Websites or Video Clips】 Harris, J.R. and Todaro, M.P., 1970, “Migration, Unemployment and Development: A Two Sector Analysis”, <i>American Review of Economics</i>, vol. 60, pp.126-142. Basu, S., 1984, <i>The Less Developed Economy</i>, ch.6, Blackwell. Liu, M., 2001, Sustained Agricultural Growth and Economic Structural Change: Some Reflections on Farmland Consolidation Programmes in Taiwan and Mainland China, mimeo, downloadable at https://www.aof.org.hk/uploads/conference_detail/626/con_paper_0_350_5-liu-minquan-paper.pdf. A Chinese copy is available at: 刘民权, 农业的持续增长与城市化: 对台湾和中国大陆”农地整治方案”的一些思考, <i>经济学(季刊)</i> 第一卷(第二期), 455-484 页, 2002. And relevant chapters from other general references.</p>	
<p>【Assignments for this session】 Students are encouraged to prepare around 10 ppt slides on the topic, for discussion at the second afternoon class session.</p>	
<p>Session 4: Sustained Agricultural Development</p>	<p>Date:4/7/2024</p>

【Description of the Session】

Even though successful economic structural transformation must be accompanied by a declining share of agriculture (and the rural sector in general) in output, income and employment, it need not mean that the agricultural and the rural sector in general should decline in size, too. Indeed, in general, successful economic development ought to be accompanied by an enlarged agricultural and rural sector, in output certainly, perhaps also in income, even though typically not in employment. But what conditions are there for this to happen, and what were the Chinese practices to ensure that this has happened? Issues in this lecture include:

- a) Kuznets' four roles of agriculture in assisting a country's industrialization;
- b) However, the need for sustained agricultural development;
- c) Extensions of the three-activity model and the role of agricultural infrastructural investment;
- f) Agricultural infrastructural investment during the commune period;
- g) Agricultural infrastructural investment after the commune: China's Comprehensive Agricultural Development program;
- h) Similar agricultural infrastructural investment programs in other economies.

【Questions】

1. Why should successful economic development of an economy be accompanied by sustained growth of its agricultural and rural sector, even though its shares in employment, output and income will almost certainly fall?
2. Did China achieve this satisfactory outcome, and what do you think were the factors responsible for it?

【Readings, Websites or Video Clips】

Kuznets, S., 1961, The Role of Agriculture in Economic Development, *International Journal of Agrarian Affairs*, vol.3, No.2, pp.56-75 (downloadable at:

<http://ageconsearch.umn.edu/record/229152/files/iaae-ijaa-v-1-5-121.pdf>

Liu, M., 2001, Sustained Agricultural Growth and Economic Structural Change: *Some Reflections on Farmland Consolidation Programmes in Taiwan and Mainland China*, mimeo,

https://www.aof.org.hk/uploads/conference_detail/626/con_paper_0_350_5-liu-minquan-paper.pdf.

Minquan Liu, "Work incentives on China's communes: A dichotomy", *Journal of International Trade and Economic Development*, 3 (2), July 1994, pp.103-28.

Ziping Wu, et al. "Land consolidation and productivity in Chinese household crop production", *Chinese Economic Review*, 2005, 16 (1): 28-49.

And relevant chapters from other general references.

【Assignments for this session】

Students are encouraged to prepare around 10 ppt slides on the topic, for discussion at the second afternoon class session.

Session 5: History of Industrialization in China

Date:5/7/2024

【Description of the Session】

Industrialization certainly provides a key vehicle for structural transformation as Lewis had envisaged. In this session, we review the course of industrialization in China in the last 70 years, covering both the period before and after the economic reform.

- a) China's first five-year plan and heavy industries;
- b) The Great Leap Forward;
- c) Industrialization of China's hinterland: the Third-Front Construction;
- d) Rural industries and TVEs;
- e) Export-processing industries and FDI;
- f) Joining and leading the expanding regional and global production chains.

【Questions】

What are the key phases and features of China's industrialization, and how have they each contributed to (or hindered) China's rapid industrialization?

【Readings, Websites or Video Clips】

Kuznets, S., 1961, The Role of Agriculture in Economic Development, *International Journal of Agrarian Affairs*, vol.3, No.2, pp.56-75 (also downloadable at:

<http://ageconsearch.umn.edu/record/229152/files/iaae-ijaa-v-1-5-121.pdf>

Kueh, Y.Y.: "Mao and Agriculture in China's Industrialization: Three Antitheses in a 50-Year Perspective". *The China Quarterly*, No. 187 (2006) p 700-723.

Klochko, Mikhail: "The Sino-Soviet Split: The Withdrawal of the Specialists". *International Journal*, Vol 26, No. 3 (1971) p 556-566.

Naughton, B., 1988, The Third Front: Defense Industrialization in the Chinese Interior, *The China Quarterly*, vol.115, pp.351-386.

Wen, Yi, "The Making of an Economic Superpower---Unlocking China's Secret of Rapid Industrialization", https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2646145.

And relevant chapters from other general references.

【Assignments for this session】

Students are encouraged to prepare around 10 ppt slides on the topic, for presentation and discussion at the third afternoon class session.

Session 6: Poverty Reduction and Human Development

Date:8/7/2024

【Description of the Session】

While economic structural transformation appears to catch the essence of modern economic development, another key concept of development is "human development", according to which development is first and foremost about expansions of people's capabilities, where a person's key capabilities are health, education and a decent standard of living. As poverty represents a measure of severe deprivations of the poor not only in income, but often also in health and education, poverty is considered a multi-dimensional matter, and poverty reduction in all these respects has become a key objective of international development policy. This lecture focuses on income poverty, reviews China's achievements in income poverty reduction, and explores the reasons for these achievements, while pointing out remaining challenges. Key contents include:

- a) Measurement of income poverty and theories of poverty trap;
- b) Structural income poverty and economic development;
- c) China's achievements in income poverty reduction in the last four decades;
- d) And in international comparison;

- e) China's development-led poverty reduction: economic development as the engine of income poverty reduction;
- f) China's evolving income poverty reduction strategy;
- g) Achievements in other key dimensions of human development in China: health and education;
- h) Remaining challenges.

【Questions】

1. Discuss the relationship between economic and human development. Must one concept substitute for the other?
2. What in your view are the key factors that enabled China to lead in global poverty reduction in the last four decades?

【Readings, Websites or Video Clips】

Richard, R. Nelson, A theory of the low-level equilibrium trap in underdeveloped economies, *The American Economic Review* Vol. 46, No. 5 (Dec., 1956), pp. 894-908.

Shi, Li, 2014, Poverty Reduction and Effects of Pro-poor Policies in Rural China, *China and World Economy*, Volume 22, Issue 2, pp. 22-41.

Liu, M. and Y. Yin, 2010, Human Development in East and Southeast Asian Economies: 1990-2010, UNDP Human Development Research Paper 2010/17, downloadable at:

http://hdr.undp.org/sites/default/files/hdrp_2010_17.pdf.

And relevant chapters from other general references.

【Assignments for this session】

Students are encouraged to prepare around 10 ppt slides on the topic, for discussion at the fourth afternoon class session.

Session 7: Human Capital Accumulation

Date:9/7/2024

【Description of the Session】

According to the views of human development, health and education are two of the three key capabilities holding not only intrinsic values but also instrumental values to people, the latter referring to the fact that health and education are also two key factors which enable people to pursue their other ends. In this and two following lectures, we move to address the issue why China achieved such rapid economic and social progress in recent decades, and what factors were responsible for that. The aim is to identify those principal factors that might help explain China's impressive economic achievements. In this lecture, the focus is on human capital accumulation. There is no doubt that human capital is perhaps the most important and central input in any human activity, not least in their economic activities. We begin with a revised Lewis model of economic development:

- a) A human capital-augmented model of economic development;
- b) Structures of human capital and stages of economic development;
- c) China's human capital formation before Reform: health and education;
- d) China's human capital formation after Reform: health and education;
- e) Role of human capital accumulation in China's economic development: past, present and future.

【Questions】

Discuss the continuity and change in human capital accumulation in China, and its role in the country's rapid economic and social development since 1949.

【Readings, Websites or Video Clips】

Liu, M., 2014, Education and the roles of the State and the market in poverty eradication, chapter 2 in The Twin Challenges of Reducing Poverty and Creating Employment, United Nations, New York, <https://www.un.org/esa/socdev/documents/employment/twinchallenges.pdf>

World Bank, World Development Report 2018 : Learning to Realize Education's Promise, <https://openknowledge.worldbank.org/handle/10986/28340>

World Bank, World Development Report 2019: The Changing Nature of Work, <https://openknowledge.worldbank.org/handle/10986/30435>

World Bank, Education, Skills, and Labor Market Outcomes : Results from Large-Scale Adult Skills Surveys in Urban Areas in 12 Countries, <http://hdl.handle.net/10986/24276>

World Bank, Putting Higher Education to Work : Skills and Research for Growth in East Asia, <https://openknowledge.worldbank.org/handle/10986/2364>

刘民权,《是否有一条关于教育的“萨伊定律”?》,杭州师范大学学报(社会科学版),2021(3),<http://c.cnki.net/kmobile/Journal/detail/CFJW/HSXX202103008>

And relevant chapters from other general references.

【Assignments for this session】

Students are encouraged to prepare around 10 ppt slides on the topic, for discussion in the fourth afternoon class session.

Session 8: Benefiting from Globalization and Global Supply Chains

Date:10/7/2024

【Description of the Session】

In its rapid economic growth and structural transformation, China has benefited greatly from the new wave of globalization and the emergence and expansions of regional and global production chains since the 1980s. This is in part because of its Opening-Up policy begun in 1978, but also because of sweeping international liberalizations of trade and investment barriers. This lecture addresses these and other related issues:

- a) Waves of globalization since the early 1980s;
- b) Reduced barriers to trade;
- c) Reduced foreign investment barriers and the expanding role of multinational firms;
- d) Advent of ICT and improved transport infrastructure;
- e) Changing regimes of world production: Deepening production fragmentations and multiplication of regional and global production chains;
- f) China's as a beneficiary of these changes and opportunities;
- g) Climb the global ladder of imitation, adaptation and innovation.

【Questions】

1. Discuss the concept of “regime of world production” and the recent changes in many industries since the 1980s.
2. In what ways do you think China has benefited from and has been responsible for these

changes?

【Readings, Websites or Video Clips】

Henderson, J., et al., 2002, Global production networks and the analysis of economic development, *Review of International Political Economy* 9:3, pp.436– 464 (downloadable at: <http://hummedia.manchester.ac.uk/schools/seed/geography/research/workingpapers/gpn/gpnwp1.pdf>.
 APEC, 2012, *Concepts and Trends in Global Supply, Global Value and Global Production Chains*, downloadable at: https://www.apec.org/-/media/APEC/Publications/2012/5/Concepts-and-Trends-in-Global-Supply-Global-Value-and-Global-Production-Chains/2012_psu_GSCs_GVCs_GPCs.pdf.
 刘民权, “世界生产体系的剧变与发展中国家的际遇”, 《探索与争鸣》, 2018 (7), <http://www.tsyzm.com/CN/article/downloadArticleFile.do?attachType=PDF&id=6648> (English copy available on request).

【Assignments for this session】

Students are encouraged to prepare around 10 ppt slides on the topic, for discussion in the fifth afternoon class session.

Session 9: Chinese State as a Developmental State

Date: 11/7/2024

【Description of the Session】

In the preceding development literature of the 1950s-1970s, the role of a “Developmental State” in a country was widely acknowledged. This role was subsequently called into question, which by the 1990s culminated in a new ideology widely known as the “Washington Consensus”. This new ideology stressed the single role of the market, eschewing much of the traditional role assigned to the State. What was the nature of the role of the Chinese State in leading the country’s economic development and social transformation in the first 30 years of the PRC, and what changes did economic reforms subsequently bring to this role? And given the size of the country, the central-local government relationship has been an enduring theme in China’s political governance, with the important challenge being to effectively combine appropriate central stewardship with sufficient local initiative and activism. Has China managed to meet this challenge successfully? These are among the issues to be addressed in this lecture.

- a) The concept of “Developmental State”;
- b) Has the Chinese government been a “Developmental State”?
- c) The role of the market and the State;
- d) The need for central stewardship but with local initiatives and activism;
- e) Local public financing for economic development: the case of land financing;
- f) Local public financing in China: The way forward.

【Questions】

1. What role do you think the Chinese State has played in leading the country’s economic development and social change? Do you think it fits in with the ideal type of a “Developmental State”?
2. Discuss the origins and consequences of public land-financing in China. Do you think they are transferable to other countries?

【Readings, Websites or Video Clips】

Haggard, S., 2018, *Developmental State*, Cambridge University Press. (You can also watch a video on the subject by the same author: <https://www.youtube.com/watch?v=BOuZm2ErgmY>)

Bateman, M., 2017, Bringing the local state back into development: the ‘local developmental state’ and the promotion of sustainable economic development and growth from the bottom-up, downloadable by google.

Liu, 2018, *Land Financing-led Urbanization in China: Evolution, Scale and Lessons*, paper written for the United Nations Economic Commission for Africa (UNECA) in its deliberations on urbanization and development strategies in Africa, downloadable at:

<https://www.uneca.org/sites/default/files/uploaded-documents/SocialDevelopment/hlpd-urbanization-industrialization-2017/uneca-china-land-financing.pdf>

【Assignments for this session】

Students are encouraged to prepare around 10 ppt slides on the topic, for discussion in the fifth afternoon class session.

Session 10: Key Future Challenges

Date:12/7/2024

【Description of the Session】

This session will be devoted to a discussion of the key challenges facing China in the coming decades. Needless to say, China faces many challenges ahead, including the huge continuing environmental challenge. But in keeping with the main themes of the present course, the two key challenges we identify to be addressed in this lecture are:

1. Reducing inequalities and improving social safety net

- i) Reducing inequalities in income, education and health;
- j) Better social protection and safety net;
- k) Relative poverty;
- l) More balanced regional development.

2. Agriculture: what visions for the future, and challenges

- a) What kind of agriculture and rural sector should China envisage for itself in the future?
- b) Policy challenges in the short- and medium-term

【Questions】

What in your view are the key challenges for China in the coming decades, and what are the best ways to meet them?

【Readings, Websites or Video Clips】

Huang et al. (2012), Small-scale farmers in China in the face of modernisation and globalization, <https://pubs.iied.org/sites/default/files/pdfs/migrate/16515IIED.pdf?>

UN System in China, 2013, *Equity in China: Chapeau Paper*, UN, downloadable at: <http://www.un.org.cn/uploads/20180301/e4b3bf5f638254719760d1c2715488fa.pdf>.

Li, S. (2016), Recent changes in income inequality in China, *World Social Science Report 2016*, https://en.unesco.org/inclusivepolicylab/sites/default/files/analytics/document/2019/4/wssr_2016_chap_15.pdf

【Assignments for this session】

Students are encouraged to form their own views on the likely future challenges for China, for discussion in the fifth afternoon class session.

Arrangement for Afternoon Sessions:

1st Session:

Students will be invited to present their first impressions of the Chinese economy, its record of growth and development, and what they think have been the key contributing factors.

2nd-5th Session: To be devoted to Q&A and group presentations.

Field visit: Visit to a local think tank or government office in Beijing (TBA).

Minquan Liu is Professor of the Department of Development Economics and the Founding Director of the Center for Human and Economic Development Studies (CHEDS), Peking University. Before he joined Peking University in 2005, he had been Professor of Economics at Hopkins-Nanjing Center, Johns Hopkins University, and a lecturer and research fellow with the University of Leicester and University of Cambridge. He was also a visitor to the Asian Development Bank Institute as Senior Research Fellow and Senior Capacity Building Specialist in 2011-2014, where he task-managed a project on disaster risk management (DRM) in Asia and the Pacific Region, following the Great East Japan Earthquake in March 2011. His research interest has been wide, spanning human development (principally health, education and social protection) in China and other East and Southeast Asian Economies; a broad range of the issues concerning China's economic development strategy (rural institutions, rural financing and agricultural development; industrialization; foreign direct investment, poverty eradication; and the environment); and interpretations of the recent development history of China. He has led a range of important research projects on the above issues and his publications addressing these subject matters have appeared in leading Chinese and international journals. He received an M.Phil from the University of Cambridge in 1984, and a D.Phil from the University of Oxford in 1990.

