## Course Form for PKU Summer School International 2021

<table>
<thead>
<tr>
<th>Course Title</th>
<th>Development Economics with Applications to China 发展经济学及其在中国的实践</th>
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<tbody>
<tr>
<td>Instructor</td>
<td>Professor Chengfang Liu</td>
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<tr>
<td>First day of classes</td>
<td>July 5, 2021</td>
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<tr>
<td>Last day of classes</td>
<td>July 16, 2021</td>
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<tr>
<td>Course Credit</td>
<td>3 credits (50 credit hours)</td>
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### Course Description

**Objective:**

This course will cover topics in development economics through the lens of China’s experience. Although the main goal will be for students to gain an understanding of concepts in development economics, the course will cover these concepts with a focus on how they relate to the institutional changes and economic policies and that have shaped China’s economic emergence as well as the country’s current development challenges. We all understand that development economics is a broad field and impossible to be comprehensively cover within 50 hours. As such, this course will be a survey of selected topics most relevant to China. We will also cover some basic statistical measurement issues and impact evaluation methods important for understanding modern research in development economics. Materials will be covered at the undergraduate level.

### Pre-requisites /Target audience

None.

### Proceeding of the Course

Participation, including attending lectures, TA-led sessions and class fieldtrips, constitute an important component of this course. Attendance is mandatory. Students are expected to complete all required readings prior to lectures and to actively participate in class discussions.

Absence without permission from the instructor will lead to deduction in scores for participation. Anyone who has a total of three times of absence without permission from the instructor would get a “Failure” in his/her final grade for this course.

Students will take 3 quizzes mainly about readings and lectures. Scores for the 3 quizzes would count towards the final grade.
Email:

I will communicate with the class mainly by email. It is your responsibility to make sure you are receiving emails.

Work Load and Grading:

Students will be expected to do all of the required readings before class, come to all classes, participate in class discussions, give assigned presentations and complete problem sets. Any material covered is fair game for exams.

Assignments (essay or other forms)

There will be two group projects in this course. Group size can range from 2 to 5 members.

The first one is Field-based Exploration of the Economics of Migration in Beijing. For this project, each group is required to find some migrant workers in the vicinity of Peking University campus, interview them to understand why they would choose to migrate from their hometowns in rural areas to urban cities. What are the costs and benefits of their migration? The deliverables for this group project includes: a.) One beautiful set of slides; and b.) A well thought out, complete, logical, 15-minute presentation, followed by Q&A and class discussions.

The second group project is to economically explain an institution in China of your choosing by applying the “Behavioral and Material Determinants (BMD)” that we will cover in this course. The deliverables for this group project includes: a.) One beautiful set of slides; b.) A well thought out, complete, logical, 15-minute presentation, followed by Q&A and class discussions; and c.) An essay based on your presentation, no more than 3,000 words. [Note: The word limit does not include the reference list.]

List of Potential Topics for the 2nd group project:

1. Why was there polygamy among rich merchant families in China?
2. Why were almost all marriages arranged in traditional China, but today many kids "marry for love"?
3. Why was there a net bride price in South China and a net dowry in North China?
4. What is the original reason for "Child Brides"?
5. Why was "Delayed Marriage" practiced in the Pearl River Delta?
6. Why were there no rural banks in rural China in the past?
7. Why are most traditional lending contracts among fellow villagers for zero interest rate? Are these loans really free?
8. What did landlords of past times rent out land under sharecropping contracts?
9. How could landlords hire labor for on farm work when in much of the rest of the world "there is no hired labor in agriculture?"
10. Why was there foot-binding? Why isn’t there foot-binding any more?
11. Why did Triads (gangs) exist in old China? Why don’t they exist today (like they...
1. Did many of your parents work in the countryside when they were young? Would this be possible today? Why or why not? Could they return in the future?

12. Why is it that Chinese families split their assets evenly among the sons and do not practice primogeniture?

13. Why did Chinese farmers during the 1970s and 1980s store so much of their assets as stored grain and not as deposits in the bank?

14. Why is China a patriarchal society but some of the minority tribes in remote areas of Yunnan matriarchal?

15. Why are rotating credit associations in South China? What role do they fulfill? Why aren’t they found in other parts of China?

16. Why are private entrepreneurs/self-employed thought of as backward institution in some countries, but is an engine of growth in rural China? Why do people work from themselves rather than get a wage earning job?

17. Why are their strong lineage groups in some villages in China and not in others? What might be the consequences of these groups for local governance?

18. Why would any loving parent ever send their daughter to be a prostitute?

19. Why would any loving parent ever send their son overseas as an illegal immigrant?

20. Why are “rural periodic markets” so prevalent in the past and now? Why don’t people use Safeway or AM/PM stores? Will there be rural periodic markets in the future?

21. Why are there so many family businesses in China?

22. Why is there such dense clustering of industries in South China today?

23. And … many … many … many … more …

**Evaluation Details**

- Participation: 25%;
- Quizzes: 15%;
- Group Project 1: 20%; and
- Group Project 2: 40% (20% for presentation, 20% for essay).

**Text Books and Reading Materials**


## Academic Integrity (If necessary)

Participation in this class commits the students and instructor to abide by a general norm of equal opportunity and academic integrity. It implies permission from students to submit their written work to services that check for plagiarism (such as Turnitin.com). It is the students’ responsibility to familiarize themselves with the definition of plagiarism. Any violations of the norm of academic integrity will be firmly dealt with in this course.

<table>
<thead>
<tr>
<th>Academic Integrity (If necessary)</th>
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<tbody>
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## CLASS SCHEDULE

(Subject to adjustment)

<table>
<thead>
<tr>
<th>Session 1: Course Introduction and Overview</th>
<th>Date: July 5, 2021</th>
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<tbody>
<tr>
<td>Outline:</td>
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<tr>
<td>■ Brief self-introduction of the instructor and the TA</td>
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<tr>
<td>■ Course syllabus</td>
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<tr>
<td>■ Course introduction and overview</td>
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<tr>
<td>■ Short survey</td>
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<tr>
<td>Questions:</td>
<td></td>
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<tr>
<td>■ What is development economics?</td>
<td></td>
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<tr>
<td>■ How are we going to study development economics?</td>
<td></td>
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<tr>
<td>■ What is development? How do we measure development?</td>
<td></td>
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<tr>
<td>■ What does growth mean for poverty?</td>
<td></td>
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<tr>
<td>Readings:</td>
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<td>Notes:</td>
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<tr>
<td>● Readings marked with a star (*) are required. The rest will be referred to in class, but they are optional – they are included mainly so you can use this list for your future reference.</td>
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<tr>
<td>● Required readings will be provided to you before class. Readings may change over the course of the semester.</td>
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| 4. Video of Esther Duflo Lecture on Rethinking the Approach of Development Economics: [http://mit.tv/z8J1no](http://mit.tv/z8J1no) (Watch from 56:40, though the entire panel is interesting) | |


**TA session:**
- Self-introduction and warm-up
- Form groups
- Watching video: “Poor Us-an animated history-Why Poverty”

**Assignments for this session:**
- Study the slides on poverty and inequality by yourself; and
- Finish the readings listed for the next session on the syllabus.

**Session 2: Some Basic Growth Theory, Measurement Issues and Causality + Geography and development**

**Date:** July 6, 2021

**Outline:**
- Instruction on the 1st group project
- Quick and gentle introduction to growth theory
- Overview of growth in China since 1978
- Geography and growth
- How Plate Tectonics Made China China?

**Questions:**
- What are the sources of growth? In the short run? In the long run?
- What are the sources of growth in China since 1978?
- How has geography shaped China?
- Why are some societies collectivist and others individualistic?

**Readings, Websites or Video Clips:**


Assignments for this session:

- Finish the readings listed for the next session on the syllabus; and
- Watching video: “Guns, Germs and Steel-Part I.”

**Session 3: Institutions & Why Didn't China Industrialize Before the West?**

**Date:** July 7, 2021

**Outline:**

- Institutions
- China versus Europe before 1500 AD / 1900
- Explanations of why China missed the Industrial Revolution – Demand-side hypotheses
- Population, Science and Innovation (Theory of technological change)
- Explanations of why China missed the Scientific Revolution – A New Supply-side Hypotheses

**Questions:**

- What is an institution? Why do institutions matter?
- Why was China one of the richest countries in the world in 1500 and far ahead of Europe, but by 1900 was one of the poorest nations in the world and had fallen far behind Europe and some of its European dominated colonies?

**Readings, Websites or Video Clips:**

1. *Understanding Poverty* Chapter 2: "Understanding Prosperity and Poverty: Geography, Institutions, and the Reversal of Fortune"


Assignments for this session:
- Finish the readings listed for the next session on the syllabus; and
- Watching video: “Guns, Germs and Steel-Parts II&III.”

**Session 4: Labor Markets and Migration**

**Date: July 8, 2021**

**Outline:**
- Labor markets and migration
- Economics of labor migration
- Evolvement of rural labor market in China over the past four decades

**Questions:**
- What is the process and the role of the labor in the rural economy in the modernization of an economy?
- What is the nature of labor markets in rural China?
- How has the rural labor market evolved over the past 4 decades?
- Why is migration important for China?
With higher wages, can China move itself up the productivity ladder?
Has China hit the Lewis turning point?
Other than wages, why do people decide to migrate?

TA session:
Preparation for/undertaking the Field-based Exploration of the Economics of Migration in Beijing.

Readings, Websites or Video Clips:

Assignments for this session (if any):
Finish the readings listed for the next session on the syllabus; and

**Session 5: Agriculture, the Power of Incentives and Rural Reform**
*Date: July 9, 2021*

**Outline:**
- “Behavioral and Material Determinants (BMD)” of Production Relations in Agriculture…and of Institutions
- Instruction on the 2nd group project: To economically explain an institution in China of your choosing by applying the BMD
China 1911 to 1978

The Role of Agriculture

Questions:
- Needham Puzzle II: Could China have grown in the first half of the 20th century?
- What is the role of agriculture in development?
- Why did Sub-Saharan Africa miss the green revolution?
- Why do banks tend to enter rural areas at a very late stage of development?
- Why did collectivization of agriculture fail in China?
- Why did rural reforms (the household responsibility system, HRS) work so well in China?
- Why do those in England practice primogeniture and those in China practice multi-geniture?
- Why was there polyandry in Tibet (and polygamy in West Africa)

TA session:
- Undertaking the Field-based Exploration of the Economics of Migration in Beijing.

Readings, Websites or Video Clips:
5. UP Chapter 8: “The Role of Agriculture in Development”
6. DE Chapters 11&12

Assignments for this session:
Session 6: Presentation of the Field-based Exploration of the Economics of Migration in Beijing  
Date: July 12, 2021

Outline:
Based on our field-based explorations over the past several days, in a 15-minute presentation, each group is supposed to answer the following three questions. There will be Q&A after each presentation.

◼ Why would any one in their right mind decide to leave the pristine countryside and move to the city?  
◼ Why have 288+ million individuals already done so?  
◼ What are the costs and benefits of China’s current migration patterns?

Please note: Your score in this project = Base score + Bonus Points, where
◼ Base score will be the same for members in the same group [team efforts]  
◼ Bonus points vary from person to person [individual efforts], which depend on:
  ◆ Your presentation skill;  
  ◆ The # of questions you answer about your own presentation; and  
  ◆ The # of questions you ask about the presentations of other groups.

Questions:
◼ Please see above in the “Outline” of the same session.

TA session:
◼ Preparing for the 2nd group project: To economically explain an institution in China of your choosing by applying the BMD

Readings, Websites or Video Clips:

Assignments for this session (if any):
◼ Finish the readings listed for the next session on the syllabus; and  
◼ Watch Video “Dreams to Fulfill”.

Session 7: Population and Family Planning  
Date: July 13, 2021

Outline:
◼ Population and economic growth  
◼ Demographic Transition in China  
◼ Family Fertility Decisions  
◼ The One Child Policy & Consequences
Questions:
- Why has population never really been put back in check by natural disasters?
- How is family fertility target rate decided? In other words, what are the benefits and costs of kids?
- What are the consequences of the One-child policy in China?
- What is demographic dividend?
- What are the consequences of dependency ratios?

TA session:
- Preparing for the 2nd group project: To economically explain an institution in China of your choosing by applying the BMD

Readings, Websites or Video Clips:
4. Understanding Poverty Chapter 10: “Fertility in Developing Countries”
5. Naughton Chapter 7: Population Growth and the One-Child Policy

Assignments for this session:
- Please finish the readings listed for the next session on the syllabus.
- Watch Video “Not one less”.

Session 8: The Middle income trap and inequality | Date: July 14, 2021

Outline:
- Human capital inequality and the middle income trap;
- What is the nature of China’s human capital?
- What is the source of low levels of human capital?
Questions:
- What is one of the fundamental difference between graduates and those that are trapped in the middle income trap?
- Will it get caught in the “middle income trap”?
- Can China continue to go? If yes, what will be the major sources?
- What will China’s inequality be like in the coming years (when growth slows)?
- What is the nature of China’s human capital?
- What is the source of low levels of human capital?

Readings, Websites or Video Clips:

TA session:
- Preparation for the 2nd group project: Economically explaining an institution in China of your choosing by applying the “Behavioral and Material Determinants (BMD)”

Assignments for this session:
- Finish the readings listed for the next session on the syllabus.

Session 9: Human capital: Education | Date: July 15, 2021
Outline:
- Benefits of Education: Private vs Social
- Private and Social Returns in China
- Barriers to Educational Attainment
- Quantity vs Quality of Education
- The Educational Production Function
- Examples of Searching for solutions to improve the access and quality of education in rural China
Questions:
- What are the benefits/returns of education?
- What do the levels of private and social returns imply about 1) How much schooling people decide to get and 2) Who should pay for it?
- What affects an individual’s decision of how much schooling to get?
- Is there anything we could do to improve the access and quality of education in rural China?

Readings, Websites or Video Clips:

Assignments for this session:
- Finish the readings listed for the next session on the syllabus.

Session 10: Human capital: Nutrition and Health | Date: July 16, 2021

Outline:
- Benefits of health and nutrition
- Demand for health and nutrition
- Supply of health and nutrition
- Example of Searching for solutions to build up health and nutrition in rural China
- Concluding thoughts about the course.

Questions:
- Why might good health and nutrition affect economic growth?
- How does the quality of healthcare look like in rural China?
Is there anything we could do to improve the access and quality of education in rural China?

【Readings, Websites or Video Clips】

TA Session: Presentation of the 2nd group project
In a 15-minute presentation, each group is supposed to economically explain an institution in China of your choosing by applying the “Behavioral and Material Determinants (BMD)” that we have covered in this course.
Again please note: Your score in this project = Base score + Bonus Points, where
■ Base score will be the same for members in the same group [team efforts]
■ Bonus points vary from person to person [individual efforts], which depend on:
  ◆ Your presentation skill;
  ◆ The # of questions you answer about your own presentation; and
  ◆ The # of questions you ask about the presentations of other groups.

【Assignments for this session (if any)】
Your course paper: An essay based on your presentation for the 2nd group project, which has taken into account the comments and suggestions that you have collected during the presentation. No more than 3,000 words [Note: The word limit does not include the reference list.]

Please attach your CV of 250-300 words and a high-resolution personal photo for introduction of the course instructor.