

### Course Form for PKU Summer School International 2019

<b>Course Title</b>	<b>Introduction to Chinese Economy</b>
	中国经济导论
<b>Teacher</b>	Minquan Liu (刘民权)
<b>First day of classes</b>	July 15, 2019
<b>Last day of classes</b>	July 26, 2019
<b>Course Credit</b>	3 credits
<b>Course Description</b>	
<b>Objective:</b>	
<p>China's unequalled and unprecedented rapid economic growth and development in recent decades has generated wide interest among the international media, researchers 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 40-70 years (as compared with the rest of the world), the course also aims to explore with the students issues including: why China achieved such rapid progress; what factors were responsible for it; what role the economic reforms and opening up (begun 40 years ago) played; what foundations were laid in the prior period of 1949-78, the first thirty years of the People's Republic; internationally, what role the new wave of globalization and fast expanding global production networks have played, and what lessons and experiences one may draw for other developing countries (the transferability issue); and, finally, what key challenges may lie ahead for the country. As much as possible, each lecture will present both facts and economic analyses of 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 rapid economic takeoff in the last few decades, and why some lessons may be transferable but others would seem not.</p>	
<b>Pre-requisites /Target audience</b>	
A university-level introductory course in Economics (e.g. Principles of Economics) and social sciences in general.	
<b>Proceeding of the Course</b>	

The course will consist of a mix of lectures (10 morning lectures each for three hours) and classes (5 afternoon class sessions each for four hours, devoted to Q&A and student presentations and discussions). Students' participation is strongly encouraged. Two afternoon classes are to be held in the first week (Wednesday and Friday) and three in the second week (Tuesday, Thursday and Friday). Morning lectures will be held on every weekday of the two weeks.

### Assignments

**Reading:** Some general references are given below, and some topic-specific references are also provided for each topic. A prior reading of these is recommended but not a must. More topic-specific readings will be given during each lecture.

**Short Essays:** Each student will be encouraged to write a short essay (4-5 pages) following each lecture, and each is required to write a minimum of two such essays for the course. The purpose of these short essays is to prepare students for partaking in class presentations and team debates (see Evaluation below). Students will be organized into groups for such presentations and debates.

**Term Paper:** In addition, each student is required to write a term paper on a topic closely related to the course content, for course evaluation.

### Evaluation Details

Class Participation: 20%

Team Debate: 20%

Final Term Paper: 60%

### General Readings:

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

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.

Wu, Jinglian, 2005, *Understanding and Interpreting Chinese Economic Reform*, Thomson South-Western, Singapore.

Chow, Gregory C., 2007, *China's Economic Transformation*, 2nd edition, Blackwell Publishing, Oxford

### 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 common 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)

<b>Session 1: China’s Economic Growth and Development in International Perspective: An overview of key facts and issues</b>	Date:
<p><b>【Description of the Session】</b></p> <p>In the last four decades, the Chinese economy underwent a very rapid process of growth and structural transformation, at a rate probably faster than experienced by any country in any stage of their history. After giving a quick review of some key facts, this session will provide an overview of the issues involved:</p> <ul style="list-style-type: none"> <li>a) Why China achieved such rapid progress, and what factors were responsible for it;</li> <li>b) What role the economic reforms and opening up (begun 40 years ago) played;</li> <li>c) What foundations were laid in the prior period of 1949-78, the first thirty years of the People’s Republic;</li> <li>d) Internationally, what role the new wave of globalization and fast expanding global production networks in recent decades have played.</li> </ul> <p>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 draw what they think are the key lessons and experiences, and which of these would seem to be transferable and which would not.</p> <p>Needless to say, while China has made great achievements in the recent decades, it is also facing some great challenges, an overview of which will also be given in this session, but their in-depth treatment will have to be taken up later in the course.</p>	
<p><b>【Questions】</b></p> <p>Questions for discussion and general thinking about are as listed above.</p>	
<p><b>【Readings, Websites or Video Clips】</b></p> <p>A quick browsing through Riskin’s book and some other general references given above, and: Liu, M., <i>Understanding the Pattern of Growth and Equity in the People’s Republic of China</i>, Asian Development Bank Institute working paper 331, 2011 (downloadable at: <a href="https://www.adb.org/sites/default/files/publication/156186/adbi-wp331.pdf">https://www.adb.org/sites/default/files/publication/156186/adbi-wp331.pdf</a>).</p>	
<p><b>【Assignments for this session】</b></p> <p>Students are invited to draw down a list of the factors that they think are key to explaining China’s recent economic successes, and the challenges it faces.</p>	
<b>Session 2: China’s Economic Growth and Development: A review</b>	Date:
<p><b>【Description of the Session】</b></p> <p>This session provides a general overview of the course of growth and development of the Chinese economy in the last 40-70 years. A distinction will be made between the concepts of “economic growth” and “economic development”, and the review will follow this distinction:</p> <p><b>1. China’s economic growth: A review</b></p> <ul style="list-style-type: none"> <li>a) China economic growth over the last 70 years;</li> <li>b) The two phases, separated by economic reforms and opening up in 1978;</li> <li>c) In international comparison;</li> <li>d) Issues: what were the factors responsible for China’s unprecedented and unparalleled record of growth in the last 40 years?</li> </ul>	

**2. China's economic development: A review**

- 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) Trajectory of China's economic and social development;
- f) In international comparison: c.f. Britain, and other countries;
- g) Some special features of China's economic and social transformation: dualistic economy and the *hukou* system.

**【Questions】**

What in your view were the likely key factors which contributed to the rapid economic growth and development in China in the last 40 years?

**【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.

Wallis, P., et al., 2018, Structural Change and Economic Growth in the British Economy before the Industrial Revolution, 1500–1800, *The Journal of Economic History*, Vol. 78, No. 3, pp.862-903.

Liu, M., 2012, Growth and equity in China: Pattern, causes and challenges, *Journal of International Commerce, Economics and Policy*, Vol.3, No.3.

And relevant chapters from Riskin and other general references.

**【Assignments for this session】**

Students are encouraged to write a short essay (4-5 pages) on the question above, for presentation in the first afternoon class session (to be arranged).

**Session 3: History of Industrialization in China**

Date:

**【Description of the Session】**

Industrialization certainly provides a key vehicle of 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 contributed to (or retarded) China's rapid industrialization?

**【Readings, Websites or Video Clips】**

Naughton, B., 1988, The Third Front: Defense Industrialization in the Chinese Interior, *The China Quarterly*, vol.115, pp.351-386.  
And relevant chapters from other general references.

**【Assignments for this session】**

Students are encouraged to write a short essay (4-5 pages) on the question above, for presentation in the second afternoon class session (to be arranged).

**Session 4: Urbanization and Rural-Urban Migration**

Date:

**【Description of the Session】**

With 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. Topics include:

- a) The classic Harris-Todaro Model of rural-urban migration;
- b) Basic economic dualism and the *hukou* system in China;
- c) Ease of barriers to rural-urban migration since Reform;
- d) The role of rural land institutions and entitlements in conditioning rural-urban migration;
- e) Milestones of rural-urban migration and urbanization in China since Reform.

**【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?

**【Readings, Websites or Video Clips】**

Harris, J.R. and Todaro, M.P., 1970, "Migration, Unemployment and Development: A Two Sector Analysis", *American Review of Economics*, vol. 60, pp.126-142.  
And relevant chapters from other general references.

**【Assignments for this session】**

Students are encouraged to write a short essay (4-5 pages) on the question above, for presentation in the second afternoon class session (to be arranged).

**Session 5: Sustained Agricultural Development**

Date:

**【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

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) A variant of the Harris-Todaro model: The three-activity model;
- d) Basic conditions of agriculture in China and the role of rural non-farming sector;
- e) 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 in a country be accompanied by sustained growth of its agricultural and rural sector, even though their shares in employment, output and income are most likely to 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 (also 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,

[http://www.hkimr.org/uploads/conference\\_detail/626/con\\_paper\\_0\\_350\\_5-liu-minquan-paper.pdf](http://www.hkimr.org/uploads/conference_detail/626/con_paper_0_350_5-liu-minquan-paper.pdf).

And relevant chapters from other general references.

**【Assignments for this session】**

Students are encouraged to write a short essay (4-5 pages) on either of the two questions listed above, for presentation in the third afternoon class session (to be arranged).

**Session 6: Poverty Reduction and Human Development**

Date:

**【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, and possibly as both a cause and consequence thereof, also in health and education, poverty reduction has thus been a key objective of development. This lecture reviews China’s achievements in poverty reduction and in other related key human development dimensions—health and education—and explore reasons for these achievements, while pointing out remaining challenges. Key topics include:

- a) The concept of human development;
- b) Absolute poverty reduction as a human development goal;
- c) China’s achievements in poverty reduction in the last four decades;

- d) In international comparison;
- e) China's development-led poverty reduction: economic development as the engine of poverty reduction;
- f) China's remaining poverty and its evolving 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】**

Sen, A.K., 1986, Development: Which way now? *The Economic Journal*, vol. 93, No. 372, pp. 745-762 (downloadable at:

<http://digital.lib.ou.ac.lk/docs/bitstream/701300122/1090/1/development%20by%20sen.pdf>.

Sen, A.K., 2000, *Development as Freedom*, Anchor Books, New York.

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](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 write a short essay (4-5 pages) on either of the two questions listed above, for presentation in the third afternoon class session (to be arranged).

**Session 7: Human Capital Accumulation**

Date:

**【Description of the Session】**

According to the views of human development, health and education are two 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 generally agreed to be two key factors which enable people to pursue their other ends, including being two key forms of human capital in economic activities. In this and two following lectures, we move to address the issue why China achieved such rapid economic and social progresses in recent decades, and what factors were responsible for them. The aim is to identify those principal factors that might help explain China's impressive 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. And relevant chapters from other general references.

**【Assignments for this session】**

Students are encouraged to write a short essay (4-5 pages) on the question listed above, for presentation in the fourth afternoon class session (to be arranged).

**Session 8: Benefiting from Globalization and Global Supply Chains**

Date:

**【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". In what ways do you think it has undergone fundamental changes in many industries since 1980s?
2. In what ways has China benefited from 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](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).



**【Assignments for this session】**

Students are encouraged to write a short essay (4-5 pages) on either of the two questions listed above, for presentation in the fourth afternoon class session (to be arranged).

**Session 9: Chinese State as a Developmental State**

Date:

**【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, and 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: Observations from some African colleagues;
- c) The role of the market and the State;
- d) The need for central stewardship but with local initiatives and activism;
- e) Example: Financing for development;
- f) A key challenge: public land as a source of local government financing;
- g) Impact on urbanization and other social implications.

**【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.

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 write a short essay (4-5 pages) on either of the two questions listed above, for presentation in the fourth afternoon class session (to be arranged).

<b>Session 10: Key Future Challenges</b>	Date:
<p><b>【Description of the Session】</b></p> <p>This session will be devoted to a discussion of two key challenges for China in the coming decades. Needless to say, many challenges face China, but the two key ones are:</p> <ol style="list-style-type: none"> <li><b>1. Reducing inequalities and improving social safety net</b> <ol style="list-style-type: none"> <li>i) Reducing inequalities in income, education, health and environmental quality;</li> <li>j) Better social safety net;</li> <li>k) Eradicate remaining poverty (as defined by the government);</li> <li>l) More balanced regional development.</li> </ol> </li> <li><b>2. Combating environmental degradation and restoring environmental quality</b> <ol style="list-style-type: none"> <li>a) An environmental Kuznets' curve?</li> <li>b) China's worsening environment;</li> <li>c) Current measures to overturn the trend but are they effective?</li> <li>d) Meeting international obligations.</li> </ol> </li> </ol>	
<p><b>【Questions】</b></p> <p>What in your view are the key challenges for China in the coming decades, and what are the best ways to meet them?</p>	
<p><b>【Readings, Websites or Video Clips】</b></p> <p>UN System in China, 2013, <i>Equity in China: Chapeau Paper</i>, UN, downloadable at:  <a href="http://www.un.org.cn/uploads/20180301/e4b3bf5f638254719760d1c2715488fa.pdf">http://www.un.org.cn/uploads/20180301/e4b3bf5f638254719760d1c2715488fa.pdf</a>.</p> <p>Liu, M., <i>China's Poverty Reduction and Evolving Strategy in International Perspective</i>, forthcoming, Springer.</p> <p>Shapiro, J., 2013, <i>China's Environmental Challenges</i>, Polity.</p>	
<p><b>【Assignments for this session】</b></p> <p>None.</p>	

**Note: Arrangement for Afternoon Class Sessions:**

**1<sup>st</sup> 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.

**2<sup>nd</sup>-4<sup>th</sup> Session:** To be devoted to group presentations.

**5<sup>th</sup> Session:** Team debates on key contributing factors to China's recent growth and development experiences and if any of them is transferable.

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 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 many important research projects on the above issues and his publications have addressed these and other subject matters, and 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.

