# Course Form for PKU Summer School International 2023

| Course Title         | Development Economics with Applications to China  
<table>
<thead>
<tr>
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<th>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 (<a href="mailto:cfliu.ccap@pku.edu.cn">cfliu.ccap@pku.edu.cn</a>)</td>
</tr>
<tr>
<td>First day of classes</td>
<td>July 3, 2023</td>
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<tr>
<td>Last day of classes</td>
<td>July 14, 2023</td>
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<tr>
<td>Course Credit</td>
<td>3 credits</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 (or outside of 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 would they 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 include: a.) One beautiful set of slides; and b.) A well thought out, complete, logical, 18-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 include: a.) One beautiful set of slides; b.) A well thought out, complete, logical, 18-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 did before)? 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

There are both required and optional readings for each class. Recommended Texts:


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>CLASS SCHEDULE</th>
<th>Date: July 3, 2023</th>
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<tbody>
<tr>
<td><strong>Session 1: Course Introduction and Overview</strong></td>
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<tr>
<td><strong>Outline:</strong></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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<td>• Short survey</td>
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<tr>
<td><strong>Questions:</strong></td>
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<tr>
<td>• What is development economics?</td>
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<td>• How are we going to study development economics?</td>
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<td>• What is development? How do we measure development?</td>
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<tr>
<td>• What does growth mean for poverty?</td>
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<tr>
<td><strong>Readings:</strong></td>
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<td><strong>Notes:</strong></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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<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/c81Jno](http://mit.tv/c81Jno) (Watch from 56:40, though the entire panel is interesting)


### Afternoon 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 4, 2023

### Outline:
- Quick and gentle introduction to growth theory
- Overview of growth in China since 1978
- Instruction on the 1st group project

### 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?

### Readings, Websites or Video Clips:

### Afternoon session:
- Discussion: “Poverty and inequality”
- Watching video and discussions: “Guns, Germs and Steel-Parts I-III.”
## Assignments for this session:
- Finish the readings listed for the next session on the syllabus; and
- Finish watching video: “Guns, Germs and Steel-Part I- III.”

### Session 3: Geography and development | Date: July 5, 2023

**Outline:**
- Geography and growth
- How Plate Tectonics Made China China?

**Questions:**
- What is the role of geography in growth?
- How has geography shaped China?
- Why are some societies collectivist and others individualistic?

**Readings, Websites or Video Clips:**

2. *Naughton Chapter 1: The Geographic Setting
7. *Understanding Poverty* Chapter 2: "Understanding Prosperity and Poverty: Geography, Institutions, and the Reversal of Fortune"

**Afternoon session:**
- Seminar by Dr. Tatiana Prazeres (TBD)

**Assignments for this session:**
- Finish the readings listed for the next session on the syllabus; and
Session 4: Institutions & Why Didn't China Industrialize Before the West?  
Date: July 6, 2023

Outline:
- Institutions
- China versus Europe before 1500 AD / 1900
- Explanations of why China missed the Industrial Revolution

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:
## Afternoon session:

### Assignments for this session:
- Finish the readings listed for the next session on the syllabus; and

### Session 5: Labor Markets and Migration  
**Date:** July 7, 2023

### 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?

### Afternoon session:
- Working on your first group project

### Readings, Websites or Video Clips:


Assignments for this session (if any):

- Finish the readings listed for the next session on the syllabus; and

**July 8-9, Sat and Sun., Weekends, Undertaking the Field-based Exploration of the Economics of Migration in Beijing**

**First group project:**
**Presentation of the Field-based Exploration of the Economics of Migration in Beijing**

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<th>Date: July 10, 2023</th>
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Please be noted that the presentations will take place in both the morning and afternoon sessions of the day.

**Outline:**

Based on our field-based explorations over the past several days, in an 18-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?
- What is the impact of the COVID-19 on their employment and income, if any?

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.

**Session 6, Agriculture, the Power of Incentives and Rural Reform**

| Date: July 11, 2023 |
**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)

**Afternoon session:**
- Preparing for the 2nd group project;

**Readings, Websites or Video Clips:**

5. UP Chapter 8: “The Role of Agriculture in Development”
6. DE Chapters 11&12
Assignments for this session:
- Finish the readings listed for the next session on the syllabus;

<table>
<thead>
<tr>
<th>Session 7: Population and Family Planning</th>
<th>Date: July 12, 2023</th>
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<tbody>
<tr>
<td><strong>Outline:</strong></td>
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<tr>
<td>■ Population and economic growth</td>
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<td>■ Demographic Transition in China</td>
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<tr>
<td>■ Family Fertility Decisions</td>
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<td>■ The One Child Policy &amp; Consequences</td>
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**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?

**Afternoon session: Lecture on The Middle income trap and inequality**

- Human capital inequality and the middle income trap;
- What is the nature of China’s human capital?

**Questions:**

- What is one of the fundamental difference between graduates and those that are trapped in the middle income trap?
- Will China 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:**

3. *Understanding Poverty* Chapter 9: “Fertility and Income”
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.

Session 9: Human capital: Education, Nutrition and Health  
Date: July 13, 2023

Outline:
- Benefits, demand and supply, quantity and quality
- Examples of searching for solutions to build up human capital in rural China
- Watch Video “Dreams to Fulfill”.

Questions:
- What are the benefits/returns of human capital?
- What do the levels of private and social returns imply about 1) How much human capital people decide to get and 2) Who should pay for it?
- What affects an individual’s decision of how much human capital to get?
- Is there anything we could do to improve the access and quality of education/nutrition/health in rural China?

Afternoon session:
Preparation for the 2nd group project.
Readings, Websites or Video Clips:


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

Second group project:
Presentations: To economically explain an institution in China of your choosing by applying Date: July 14, 2023
Please be noted that the presentations will take place in both the morning and afternoon sessions of the day.

**Outline:**
As we do in the first group project, each group has 18 minutes for presentation, followed by Q&A.

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.

**FINAL PROJECT: a course paper**
Each group is supposed to jointly turn in ONE essay based on your presentation for the 2\(^{nd}\) group project which has taken into account 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.]