Course Form for PKU Summer School International 2023

Course Title	Title in English: Introduction to Chinese Economy
	Title in Chinese: 中国经济导论
Teacher	Minquan Liu (刘民权)
First day of classes	July 3, 2023
Last day of classes	July 14, 2023
Course Credit	3 credits

Course Description

Objective:

China's unprecedented and unequalled rapid economic growth and development in recent decades have generated wide interest among the international media, researchers and general public. As well as providing an overview of these rapid changes in the country (as compared with other countries) in the last 40-70 years, the course aims to explore issues including: why China achieved such rapid progress; what factors were responsible for it; what role the economic reforms and opening up (begun in1978) played; what foundations were laid in the prior period of 1949-78 (or 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, and 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.

The course will consist of a series of 10 recorded lectures, each to be accompanied by an on-line tutorial group discussion and a plenary class session. As much as possible, each recorded lecture will present facts and the analyses of these facts on a topic (10 topics in all) using relevant models from economic theory, with a view to providing students with a good understanding of the issues involved. This is then followed by three hours of live virtual tutorial group and plenary class discussion of the issues in greater depth, as well as Q&A. 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 landscape, 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.

Pre-requisites/Target audience

A university-level introductory course in Economics (e.g. Principles of Economics) or social sciences in general.

Proceeding of the Course

The course will consist of 10 pre-recorded lectures on ten topics each lasting two hours, and 10 live virtual tutorial group discussions each lasting an hour, and 10 live virtue plenary class sessions each lasting two hours. Pre-recorded lecture videos will be provided before the course, and plenary live virtual classes will be given on ClassIn platform from Monday to Friday over the two weeks of the course, at **21:00-23:00** each day, **Beijing time**. Tutorial group discussion sessions, each for one hour, will be on line led by the teacher or a TA. Each tutorial group will have less than 10 students, and the exact time to hold group discussion each day is to be decided when tutorial groups are formed at the start of the course. For each of the 10 topics of the course, teaching begins with students watching, in their own time, the pre-recorded lecture video on that topic, to be followed first by the tutorial group discussion, and then plenary session, the latter being for in-depth discussions and Q&A. Each student is encouraged to prepare around 10 ppt slides after watching each lecture video, in preparation for the tutorial group discussion and plenary class on that topic.

Assignments

Reading: Some general references are provided below, with topic-specific references given for each topic after a short introduction to the topic. A prior reading of these is recommended but not a must. Further references on a topic will be given in each recorded lecture and/or live virtue class.

PPT slides: Each student is encouraged to prepare around 10 ppt slides after watching the lecture video on a topic, in preparation for virtual tutorial group and plenary class discussions on that topic. Each student will be invited to present his/her slides at these sessions (at each tutorial group discussion session, and one plenary class session; also see Evaluation below).

Term Paper: Additionally, each student is required to write a term paper on a topic/issue closely related to the course content.

Evaluation Details

Tutorial group discussion and plenary class attendance: 20%

Presentations at tutorial group discussion sessions (15%), and plenary class session (15%)

Final Term Paper: 50%

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.

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 of general knowledge. Any evidence of plagiarism can lead to a zero credit for your work and will be reported to the university authority.

SCHEDULE	
(Subject to adjustment)	
Topic 1: China's Economic Growth and Development in International	Date: 1 st Monday
Perspective: An overview of key facts and issues	

Description of the Topic

The Chinese economy underwent a process of very rapid growth and structural transformation in roughly the last four decades, at a rate probably faster than those experienced by any country at any stage of their history. After giving a quick review of some key facts, this topic will provide an overview of the issues involved:

- a) Why China achieved such rapid progress, and what possible factors were responsible for it;
- b) What role the economic reforms and opening up (begun roughly 40 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 rapid expansion of global production networks in recent decades have played.

In-depth exploration into these issues is a key objective of this course. It is hoped that, at the end of the course, each student will be able to decide what they think are the key lessons and experiences, and which of them, if any, would be transferable to other developing countries.

Needless to say, while China has made huge achievements in the recent decades, it is also facing some tough challenges, an overview of which will also be given in this topic, with an in-depth treatment to be taken up later in the course.

Questions

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

【Readings, Websites or Video Clips】

A quick browsing through Riskin's and Naughton's books and some other general textbooks on the Chinese economy of your choice, 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 topic **)**

Students are invited to draw up a list of the factors that they think are key to explaining China's recent economic successes and challenges, for presentation in group discussion/plenary class session.

Date: 1st Tuesday

Topic 2: Models of Development

Description of the Topic

This topic reviews important models on economic and human development. Some of these models will serve as key analytical frameworks for the rest of this course, within which we will critically review and evaluate the evolving features of the Chinese economy and 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/or any other developing economy?

【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/Naughton and other general references.

[Assignments for this topic]

Students are encouraged to prepare around 10 ppt slides on the question above, for presentation in tutorial group discussion/plenary class.

Topic 3: Urbanization and Rural-Urban Migration

Description of the Topic

With rapid economic structural transformation often came the rapid urbanization and social transformation, powered by rapid rural-urban migrations. This lecture begins with a brief look at the classic Harris-Todaro model of rural-urban migration. The model is then applied and critiqued 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:

Date: 1st Wed.

- a) The classic Harris-Todaro Model of rural-urban migration;
- b) Basic economic dualism in China;
- c) A variant of the Harris-Todaro model: the Three-Activity model;
- d) Ease of barriers to rural-urban migration in China since Reform;
- e) The role of rural land institutions and entitlements in conditioning rural-urban migrations in the country;
- f) 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, if any, does the Harris-Todaro model fit in with these features? What new light does the three-activity model shed on China's rural-urban migration processes?

【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.

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, 经济学(季刊) 第一卷(第二期), 455-484 页, 2002. An English copy available at:

https://www.aof.org.hk/uploads/conference_detail/626/con_paper_0_350_5-liu-minquan-paper.pdf. And relevant chapters from some other general references.

(Assignments for this topic **)**

Students are encouraged to prepare around 10 ppt slides on the question above, for presentation in group discussion and/or plenary class.

Topic 4: Sustained Agricultural Development

[Description of the topic]

Even though successful economic structural transformation will necessarily 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. Indeed, in general, successful economic development ought to be coupled with an enlarged agricultural and rural sector, in output certainly, and perhaps also in income, even though typically not in employment. But what conditions are there for this to happen, and what have the Chinese practices been to ensure that this happens? Issues in this lecture include:

Date: 1st Thursday

- a) Roles of agriculture in assisting a country's industrialization;
- b) However, the need for sustained agricultural development;
- c) The Three-Activity model revisited;
- d) The role of rural non-farming sector;
- e) Agricultural infrastructural investment;
- f) Agricultural infrastructural investment during the Commune period;
- g) Agricultural infrastructural investment after the Commune: China's Comprehensive Agricultural Development (CAD) programs;
- 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 sound outcome, and what do you think were the factors responsible for that?

[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,

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

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

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

And relevant chapters from other general references.

(Assignments for this topic)

Students are encouraged to prepare around 10 ppt slides on either question above, for presentation in group discussion/plenary class.

Date: 1st Friday

Topic 5: History of Industrialization in China

Description of the Topic

Industrialization certainly provides a key vehicle of structural transformation as Lewis had envisaged. In this topic, 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】

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; https://english.ckgsb.edu.cn/sites/default/files/files/Final%20version%209789814733731_YiWen.pdf .

And relevant chapters from other general references.

(Assignments for this topic **)**

Students are encouraged to prepare around 10 ppt slides on the question above, for presentation in group discussion/plenary class.

Topic 6: Poverty Reduction and Human Development

Date: 2nd Monday

[Description of the Topic]

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 include health, education and a decent standard of living. As poverty is seen to refer to not only severe deprivations in income, but also in health and education, poverty reduction has thus become a key objective of development. This lecture reviews China's achievements in income poverty reduction and in other related key dimensions—health and education, and to explore the reasons for these achievements, while pointing out remaining challenges. Key topics include:

- a) The concept of human development;
- b) Absolute income poverty reduction as a human development goal;
- c) China's achievements in income 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 recent 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...

And relevant chapters from other general references.

Assignments for this topic

Students are encouraged to prepare around 10 ppt slides on either question above, for presentation in group discussion/plenary class.

Date: 2nd Tuesday

Topic 7: Human Capital Accumulation

Description of the Topic

In this and the following two lectures, we aim to explore and identify the central factors that can help explain China's recent impressive economic and social achievements. One such factor is human capital, including both health and education. According to the views of human development, health and education hold not only intrinsic values but also instrumental values to people. The latter refers to the fact that health and education are widely agreed to be two key factors which can enable people to pursue their other ends. In particular, they form the essential human capital in economic activities. This lecture focus is on China's human capital accumulation. We begin with an augmented 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 during and 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 topic

Students are encouraged to prepare around 10 ppt slides on the question above, for presentation in group discussion and/or plenary class.

Topic 8: Benefiting from Globalization and Global Supply Chains

Date: 2nd Wed.

Description of the Topic

In its rapid economic growth and structural transformation, China has benefited enormously from the new wave of globalization and the emergence and expansion 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 regimes. 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 expanding roles 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 ladder of globalization: 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 respect of many industries since 1980s?
- 2. What is the "ladder of Globalization"? How far has China managed to climb up this ladder?

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 topic

Students are encouraged to prepare around 10 ppt slides on either question above, for presentation in group discussion and/or plenary class.

Topic 9: Chinese State as a Developmental State

Date: 2nd Thursday

Description of the Topic

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? Moreover, given the size of the country, the central-local government relationship has also become 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) A key challenge: local public financing for development;
- f) Example: public land as a source of local public 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, an example of "local developmental state" in action in China. Do you think the case is 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/SocialDevelopement/hlpd-urbanization-industrialization-2017/uneca-china-land-financing.pd

Assignments for this topic

Students are encouraged to prepare around 10 ppt slides on either question above, for presentation in group discussion/plenary class.

Date: 2nd Friday

Topic 10: Key Future Challenges

(Description of the Topic **)**

This topic will be devoted to a discussion of three key areas of challenge for China in the coming

decades. Needless to say, many more challenges are facing China, but the key ones are:

1. Fight against Covid-19 and improve public health

2. Reducing inequalities and improving social safety net

- a) Reducing inequalities in income, education, health and environmental quality;
- b) Better social safety net and prevent any new poverty;
- c) More balanced regional development.

3. Combating environmental degradation and restoring environmental quality

- a) An environmental Kuznets' curve?
- b) China's environment problems and measures to overturn the trend but are they effective?
- c) Meeting international obligations.

Questions

What in your view are the key challenges for China in the coming decades, and what could be 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

Liu and Raven (2010) China's Environmental Challenges and Implications for the World, *Critical Reviews in Environmental Science and Technology*, 40:823–851,

https://www.canr.msu.edu/csis/archive/Liu Raven 2010.pdf

Khan and Chang, 2018, Environmental Challenges and Current Practices in China—A Thorough Analysis, *Sustainability*, 2018 (10).

Assignments for this topic

Students are encouraged to prepare around 10 ppt slides on the question above, for presentation in group discussion/plenary class.

Minguan 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 2011-1014, 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 a wide range of 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. His most recent researches have addressed Covid-19, where he integrates perspectives of public health and disaster risk management. He received an MPhil from the University of Cambridge in 1984, and a DPhil from the University of Oxford in 1990.

