

The University of Chicago Booth School of Business
The Wealth of Nations

Fall 2024 (Preliminary)

Final exam: Online at time set by Registrar's Office

Instructor:

Chang-Tai Hsieh

Email: chsieh@chicagobooth.edu

Phone: 773-834-0590

Office: 517 Harper Center

URL for the course: <http://canvas.uchicago.edu>

There is no reader. The course syllabus, handouts, readings, and homework assignments and answers will be posted on canvas.

Grading: Your grade will be based on the following:

40 percent: Final exam

45 percent: 3 problem sets

15 percent: Class participation

Any re-grade requests must be made within two business days after I return the exam to you. The request must be done in writing and returned to me together with the entire exam. The request should include a description of the problem and why you think the exam should be graded differently.

You must turn in your own answers to the problem sets (on canvas) by the beginning of your discussion section. Solutions to the problem sets will be posted.

Course Schedule and Outline

Week 1: Resources and Wealth

Lecture: Investment vs. Productivity Driven Growth

Case Study: Is China's Growth Driven by Debt?

Readings:

Paul Krugman, "The Myth of Asia's Miracle," Foreign Affairs, November/December 1994.

Financial Times, "The Debt Dragon" Also look at the other articles in the FT's series on Chinese debt (<http://www.ft.com/intl/indepth/china-debt-dragon>)

60 Minutes Video on China's "Ghost Cities": <http://www.cbsnews.com/news/china-real-estate-bubble-lesley-stahl-60-minutes/>

"How China's Past Stimulus is Dogging Its Growth Prospects," Wall Street Journal, September 16, 2016. For more details, see Bai, Hsieh, and Song, "The Long Shadow of China's Fiscal Stimulus," Brookings Papers in Economic Activity, 2016.

Problem Set 1 Available

Week 2: Resource Allocation: Theory, Measurement, and Case Study of Venezuela

Lecture: Implications of Efficient Resource Allocation

Discussion: Resource Misallocation in Venezuela

Readings:

Chang-Tai Hsieh, Edward Miguel, Daniel Ortega, Francisco Rodriguez, "The Price of Political Opposition: Evidence from Venezuela's Maisanta," American Economic Journal: Applied Economics, 2011. (only pages 196-203).

Problem Set 1 Due

Week 3: Resource Misallocation: Case Studies of Informality in Mexico, Contract Labor in India, and Privatization of State-Owned Firms in China

Lecture: Measurement and Implications of Resource Misallocation

Discussion: Case Studies

Readings:

Diana Farrell, "The Hidden Dangers of the Informal Economy," McKinsey Quarterly 2004.

Hernando de Soto, "The Mystery of Capital"
<http://www.imf.org/external/pubs/ft/fandd/2001/03/desoto.htm>

Santiago Levy, Good Intentions, Bad Outcomes. Watch video at
<http://research.chicagobooth.edu/igm/events/speaker-series/2008-04-17.aspx>

McKinsey Global Institute, "A Tale of Two Mexicos: Growth and Prosperity in a Two-Speed Economy (only executive summary and chapter 2)

Problem Set 2 available

Week 4: Rise and Fall of Conglomerates; Platform Technologies

Case Study of the Semiconductor Industry

Readings

Watch conversation between Jensen Huang (CEO of NVIDIA) and Morris Chang (founder of TSMC): <https://www.youtube.com/watch?v=u-x7PdnvCyI&t=4116s>

Podcast with Tim Culpan (Bloomberg) on TSMC:
<https://open.spotify.com/episode/4kGN5W7n8VJtYoEEQl4vDV>

Problem Set 2 Due

Week 5: Platform Technologies

Readings

"Foxconn Makes Your iPhone. Now It's Aiming to Make Electric Cars," Bloomberg

Podcast with Stacy Rasgon on NVIDIA:
<https://open.spotify.com/episode/0bQzSv797CmhwK9MPOG7vr>

Podcast with Brannine McBee, CoreWeave:
<https://open.spotify.com/episode/46msCaWxELAKmp7RHxD8jf>

Podcast with Josh Wolfe, LuxCapital:
<https://open.spotify.com/episode/47s5Ou1MXPQ4wYKlfEa8o8>

Class 6: Industrial Revolution in Services; Why Cities Matter

Industrial Revolution in Services

Cities and Growth

Which Cities Power US Growth?

Readings:

"Big Med," New Yorker, August 13, 2012.

"Big Business is Driving America's Smaller Cities," Wall Street Journal, February 5, 2020.

Ed Glaeser, The Triumph of the City. New York: Penguin Press 2011, Chapters 5 and 6.

Chapter 5 in, Enrico Moretti, The Geography of American Jobs, Houghton Mifflin Harcourt, 2012.

Suketu Mehta, Maximum City, Vintage Books, 2005, Chapter on "Mumbai"

"Tech Expansion Overwhelms Cities in California's Silicon Valley," Wall Street Journal, April 2015.

"How Local Regulations Smother the US Economy," New York Times, September 6, 2017.

"Urban America: US Cities in the Global Economy," McKinsey Global Institute.

Problem Set 3 Available

Week 7: China's Solution to Resource Misallocation

Part 1: What is (was?) the Chinese System?

Part 2: Crony Capitalism with Chinese Characteristics

Readings:

Eric Li, "A Tale of Two Political Systems." Watch talk on TED:
(https://www.ted.com/talks/eric_x_li_a_tale_of_two_political_systems?language=en)

John Garnaut, "Is China Becoming a Mafia State." Watch video:
<https://www.youtube.com/watch?v=aa4oVHz32i4>

Problem Set 3 Due

Week 8: Where is China Heading?

Readings:

Chinese Corporate Espionage Knocks the Wind out of US Company, Business Week 2012.

Kai-Fu Lee: AI Superpowers: China and the U.S. Watch video starting at 12:20 at
https://www.youtube.com/watch?v=cQ48rP_Rs4g

Lingling Wei, "Xi Jingping Aims to Rein in Chinese Capitalism, Hew to Mao's Socialist Vision," Wall Street Journal, September 20, 2021

Brent Crane, "The China Bull," The WireChina, October 24, 2021.

Chang-Tai Hsieh, "Two Strong Hands: China's Vision for the Private Sector," The WireChina, May 2022.

Week 9: The U.S.-China Trade War; U.S. Industrial Policy