**George Washington University**

**Syllabus and Course Readings for**

**ECON 6269 Economy of China I**

**China’s economy since 1949: Organization, operation, policies, and problems**

**Fall Semester, 2018**

**Wednesdays 6:10-8:00 p.m., Room: Bell 106**

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Course Description

This is a graduate-level course on China’s economic development, with emphasis on China’s domestic and international strategies since 1978. The course combines institutional and economic theoretical analyses of China’s modern economic experience. In addition to presenting the principal events, statistical trends, policies and controversies, the course will link China’s experience to basic principles of economic develop­ment, considering two competing schools of thought – roughly termed neo-liberal and evolutionary neo-Keynesian.

The coverage of the course is quite broad. Domestically it will review the major sectors and related issues, including agriculture, industry, government finances, banking and the financial system, poverty reduction, labor and unemployment, social safety nets, regional inequalities, macro policies, planning mechanisms, and future prospects. Internationally, coverage includes: foreign trade, foreign investment, China in the Asian financial crisis, China’s accession to the WTO, China’s exchange rate, and China’s alleged imbalances following the global financial crisis.

Course Requirements

In addition to short in-class written responses to analytical questions taking five minutes each, the course will require 2 short papers (1,500 words) on topics selected from two of the three areas outlined below. There will also be a final exam also based on short-answer analytical questions and (possibly) a longer essay question. The course seeks to teach and test for indications of analytical understandings of China’s economic progress more than merely detailed descriptive information.

The course is organized into three broad sections:

1. A critical economic history of China’s development since Mao’s death in 1976, with a heavy emphasis on reforms in the 1990s, China through the 2008 financial crisis, and recent developments and challenges under the leadership of Xi Jinping.
2. Economic analysis of China’s domestic economic reforms and policies responsible for its sustained record of growth and poverty reduction.
3. Economic analysis of China’s international economic presence: the policies and other factors responsible for its current status.

Readings

The course will rely on the recently published second edition of a well-known text for background, supplemented with essential classic references and contemporary sources, mostly on the internet, as appropriate. The course will also make use of portions of my recently completed book manuscript on China’s economy, Keidel (2018), currently in preparation for publication. The three books to purchase (all available in Kindle versions) are:

1. Naughton (2018): Barry Naughton, The Chinese Economy: Adaptation and Growth, Cambridge, Mass.: MIT Press (Amazon eTextbook: $32.75)
2. Kroeber (2016): Arthur R. Kroeber, China’s Economy: What You Need to Know, 2016, New York: Oxford University Press (Kindle: $8.36)
3. Lardy (2012): Nicholas Lardy, Sustaining China's Economic Growth After the Global Financial, Peterson Institute for International Economics Crisis (Kindle: $9.99)

**Initial Reading Assignments**

**Class 1 (Aug 29) – Introduction and the Importance of Fact-based Analysis**

For the introductory first class, please have a look at and, as best you can, be prepared to discuss the following readings:

1. Naughton (2018) Chapter 1.1-1.7, pp. 1-17
2. Kroeber (2016), Chapter 1
3. Keidel (2018), Chapter 1 Excerpts (PDF by email)
4. Keidel (2008a): “China’s Economic Rise – Fact and Fiction,” **Policy Brief No. 61**, Washington, DC: Carnegie Endowment for International Peace, July 2008 ([www.carnegieendowment.org/files/pb61\_keidel\_final.pdf](http://www.carnegieendowment.org/files/pb61_keidel_final.pdf))
5. Keidel (2008b): “China’s Economic Rise – Technical Note,” (to accompany Policy Brief No. 61, “China’s Economic Rise – Fact and Fiction,” Carnegie Endowment, July, 2008, ([www.carnegieendowment.org/files/Technical\_Note.pdf](http://www.carnegieendowment.org/files/Technical_Note.pdf))
6. IMF (2018): PRC 2018 Article IV Press Release of July 28, 2018 (pp. 1-2) and IMF Staff Consultation Report pp. 1-5, both found at <https://www.imf.org/~/media/Files/Publications/CR/2018/cr18240.ashx>
7. **China’s Historical Economic Performance**

**Class 2 (Sep 5) – China’s Economy Through 1989**

* + - 1. Keidel (2018): Chapter 2a (PDF emailed)
      2. Naughton (2018): Chapters 2, 3, 6, 11 through Section 11.4, and Chapter 12
      3. Kroeber (2016): Chapter 2
      4. Rawski 1999: Thomas G. Rawski, “China’s Economy after Fifty Years: Retrospect and Prospect,” *International Journal*, Winter 1999-2000, pp. 62-79 (also available at: <http://www.pitt.edu/~tgrawski/paper99/rawski-intlj.htm>).

**Class 3 (Sep 12) – China’s Major Reform Era, 1990-2003**

1. Naughton (2018): Chapters 4, 5, 13 and 14
2. Kroeber (2016), Chapter 3-4
3. Keidel (2007): Albert Keidel, China’s Economic Fluctuations: Implications for Its Rural Economy, Washington, D.C.: Carnegie Endowment for International Peace, 4-18, 33-77: <http://www.carnegieendowment.org/files/keidel_china_fluctuations_final.pdf>
4. Keidel (2018), Chapter 4 (PDF emailed)

**Class 4 (Sep 19) – China in the Global Financial Crisis Era, 2003-2012**

1. Lardy (2012), Introduction, Chapters 1-3
2. Keidel 2008b: Albert Keidel, "The Global Financial Crisis: Lessons for the United States and China," *luncheon address to the US-China Business Council, October 26, 2008,* <http://www.carnegieendowment.org/files/Luncheon_Talk_Keidel.pdf>
3. Keidel (2018): Chapter 5 and Chapter 11 excerpts (PDF emailed)
4. Naughton (2018): Chapter 11 Section 11.4, and Chapter 12

**Class 5 (Sep 26) – China under Xi Jinping, 2012 – present**

1. Lardy (2012), Chapters 4-5
2. Kroeber (2016), Chapter 10
3. Naughton (2018): Chapters 14 and 15
4. Xin (2016), Zhou Xin, “China heading for big economic policy shift, says mystery ‘authoritative’ source,” ***South China Morning Post***, 9 May 2016, <http://www.scmp.com/news/china/economy/article/1942575/china-heading-big-economic-policy-shift-says-mystery>
5. Xin (2016b), Zhou Xin, “Xi Jinping’s stance on China’s economy laid bare …,” ***South China Morning Post***, 10 May 2016, <http://www.scmp.com/news/china/policies-politics/article/1943469/xi-jinpings-stance-chinas-economy-laid-bare-he>
6. Ren (2016), “Shuli Ren, “Credit Suisse: What We Learned From China’s Central Economic Work Conference,” ***Barron’s Asia***, 19 December 2016, <http://blogs.barrons.com/asiastocks/2016/12/19/credit-suisse-what-we-learned-from-chinas-central-economic-work-conference/>
7. Keidel (2018), Chapter 6 (PDF emailed)

**Also, browse in these two longish documents. The Kennedy piece reflects common American perspectives on Xi’s policies and the 13th five-year plan; Tanaka’s much dryer report is mainly a condensation of the official Chinese position emphasizing what Chinese policymakers might.**

1. Kennedy & Johnson (2016), Perfecting China, Inc.: The 13th Five-Year Plan,” *CSIS*, Pp. vii-37, <https://csis-prod.s3.amazonaws.com/s3fs-public/publication/160521_Kennedy_PerfectingChinaInc_Web.pdf>
2. Tanaka (2015), Osamu Tanaka, “Economic Reform and Economic Policy of the Xi Jinping Leadership,” *Public Policy Review*, Japan Ministry of Finance, Vol. 11, No. 1, March 2015, <https://www.mof.go.jp/english/pri/publication/pp_review/ppr027/ppr027a.pdf>
3. **China’s Domestic Economic Policies and Mechanism**

**Class 6 (Oct 3) – Economic Policy Institutions, National Accounts and Statistical Data**

Lawrence/Martin (2013) – Susan V. Lawrence and Michael F. Martin, “Understanding China’s Political System,” United States Congressional Research Service, 20 March 2013, <https://fas.org/sgp/crs/row/R41007.pdf>

ChinaToday (2017), “Chinese Government Related Information,” ***ChinaToday*** (Unofficial web site providing an outline of China’s government, with links to various ministries and other agencies), <http://www.chinatoday.com/gov/a.htm>

NDRC (2017), The National Development and Reform Commission (NDRC) of the People’s Republic of China, Home web page, <http://en.ndrc.gov.cn/>

Naughton (2018): Chapter 7 through Section 7.1, pp. 155-160

Lardy (2012), Appendix A “Statistical Issues”

Kroeber (2016), Chapter 5, Appendix “Are China’s Statistics Reliable”

Keidel (2007b): Albert Keidel, “The Limits of a Smaller, Poorer China,” ***Financial Times***, <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=19709&prog=zch>, November 14, 2007

**Class 7 (Oct 10) – China’s Sustained Growth Success – Investment and Cyclical Demand**

1. OECD (2015), pp. 4-15, 25-46. Organization for Economic Cooperation and Development, “OECD Economic Surveys: China,” March 2015, <http://www.oecd.org/eco/surveys/China-2015-overview.pdf>
2. Naughton (2018): Chapter 7 Sections 7.2 to 7.7, pp. 160 to 181
3. Kroeber (2016), Chapter 10

**Class 8 (Oct 17) – Fiscal and Financial Reforms, Trends and Challenges**

1. Naughton (2018): Chapters 18, 19 and 20
2. Kroeber (2016), Chapters 6-7
3. Elliott/Yan (2013) Douglas J. Elliott and Kai Yan, “The Chinese Financial System: An Introduction and Overview,” The John L. Thornton China Center, The Brookings Institution, Washington, DC, <https://www.brookings.edu/wp-content/uploads/2016/06/chinese-financial-system-elliott-yan.pdf>
4. OECD (2015), pp. 16-24.
5. UN (2005), United Nations, “Rethinking the Role of National Development Banks,” Department of Economic and Social Affairs, Financing for Development Office, December 2005, <http://www.un.org/esa/ffd/msc/ndb/NDBs-DOCUMENT-REV-E-020606.pdf> , pages 5-16.

**Class 9 (Oct 24) – Labor Transformation, Poverty Reduction, Corruption and Social Unrest**

* + - 1. Kroeber (2016), Chapter 9, 11
      2. Naughton (2018): Chapters 8, 9 and 10
      3. Gu (2016): [Baochang Gu](https://www.brookings.edu/author/baochang-gu/), [Feng Wang](https://www.brookings.edu/experts/feng-wang/), and [Yong Cai](https://www.brookings.edu/author/yong-cai/), “The end of China’s one-child policy,” [*Studies in Family Planning*](http://onlinelibrary.wiley.com/journal/10.1111/(ISSN)1728-4465), [Volume 47, Issue 1](http://onlinelibrary.wiley.com/doi/10.1111/sifp.2016.47.issue-1/issuetoc), 30 March 2016, <https://www.brookings.edu/articles/the-end-of-chinas-one-child-policy/>
      4. Shapiro (2016), Jacob Shapiro, “China is Still Really Poor,” *RealClear World*, 16 September 2016, <http://www.realclearworld.com/articles/2016/09/16/china_is_still_really_poor_112050.html>
      5. Wu (2016) Guobao Wu, “Ending poverty in China: What explains great poverty reduction and a simultaneous increase in inequality in rural areas?” World Bank Blog, 19 October 2016, <http://blogs.worldbank.org/eastasiapacific/ending-poverty-in-china-what-explains-great-poverty-reduction-and-a-simultaneous-increase-in-inequality-in-rural-areas>
      6. Keidel 2007a: Albert Keidel, “China’s Regional Disparities,” Second Draft, December 2007, <http://www.carnegieendowment.org/files/China_Regional_Disparities.pdf> . Note: this version has an error in Table 1, see Professor for a corrected version.
      7. PRC Government 2006: “Document calls for building new countryside,” gov.cn, February 21, 2006. <http://www.gov.cn/english/2006-02/21/content_206083.htm>
      8. Keidel 2006, “China’s Social Unrest: The Story Behind the Stories,” Policy Brief, Carnegie Endowment for International Peace, <http://carnegieendowment.org/files/pb48_keidel_final.pdf>

***Note: Read the summary for this 1988 Naughton article, unless you have a stronger interest, in which case open the article***

* + - 1. Naughton 1988: Barry Naughton, “The Third Front: Defense Industrialization in the Chinese Interior,” The China Quarterly, No. 115, (September 1988), pp. 351-386, <http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=3546864>

1. **China’s International Commercial and Financial Development**

**Class 10 (Oct 31) – China’s Foreign Trade, Investment and Technology Acquisition**

1. Fallows 1993 – James Fallows, “How the World Works,” *The Atlantic*, December 1993, <http://www.theatlantic.com/magazine/archive/1993/12/how-the-world-works/305854/>
2. Ebeling, Richard M. , “The Ghost of Protectionism Past: The Return of Friedrich List,” *Freedom Daily*, The Future of Freedom Foundation, April 1, 1994, <http://www.fff.org/explore-freedom/article/ghost-protectionism-return-friedrich-list/>
3. List (1856): George Friedrich List, *National System of Political Economy*, Philadelphia: Lippincott, pp. 63-64, 69-70, 73, 77-81, excerpted in “Modern History Sourcebook: George Frederich *(sic)* List: National Economy,” Fordham University, <http://sourcebooks.fordham.edu/mod/1856list.asp>
4. Keidel (2018): Chapter 4 (PDF emailed), pp. 8, 17-22
5. Keidel (2018): Chapter 5 (PDF emailed), pp. 1-3, 16-18
6. Naughton (2018): Chapter 16
7. Guo (2009), Dai Guo and Papa N’Diaye, “Is China’s Export-Oriented Growth Sustainable?”, IMF Working Paper WP/09/172, https://www.imf.org/external/pubs/ft/wp/2009/wp09172.pdf
8. Vorisek (2015): Dana Vorisek and Tianli Zhao, “Bilateral Trade Balances with China: A Matter of Accounting,” Blog, *Prospects for Development*, <http://blogs.worldbank.org/prospects/bilateral-trade-balances-china-matter-accounting>
9. Inomata (2013): Satoshi Inomata, “Trade in Value Added: An East Asian Perspective,” ADBI Working Paper Series No. 451, December 2013, Asian Development Bank Institute, pp. 3-9, <https://www.adb.org/sites/default/files/publication/156306/adbi-wp451.pdf>
10. World Bank (2013), World Bank, “Chapter 8 – Achieving Mutually Beneficial Relations with the Rest of the World,” *China 2030*, pp. 60-64, <http://documents.worldbank.org/curated/en/781101468239669951/pdf/762990PUB0china0Box374372B00PUBLIC0.pdf>

**Class 11 (Nov 7) – Foreign Financial Flows and Exchange Rates**

1. Naughton (2018): Chapter 17
2. Keidel 2005a: Albert Keidel, “Not Everyone Agrees that China is Trading Unfairly,” *Financial Times*, April 18, 2005. <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=16797&prog=zch>,
3. Keidel 2005b, Albert Keidel, “China’s Currency: Not the Problem,” *Policy Brief No. 39*, Carnegie Endowment for International Peace, June 2005. <http://www.carnegieendowment.org/files/PB39.Keidel.FINAL.pdf>
4. Keidel 2009, Albert Keidel, “The Global Economic Crisis and China’s Response,” for the Conference “China Faces the Future” at the Brookings Institution, Washington, DC July 14-15, 2009 [PDF mailed to students]
5. Keidel 2011: Albert Keidel, “China’s Exchange Rate Controversy: A Balanced Analysis,” **Eurasian Geography and Economics** 52, 3:347–374, June 2011, [PDF file mailed to students]
6. Ebrahim-zadeh 2003: Christine Ebrahim-zadeh, “Dutch Disease: Too Much Wealth Managed Unwisely,” *Finance and Development*, **40**, 1, March 2003, <http://www.imf.org/external/pubs/ft/fandd/2003/03/ebra.htm>
7. Bresser-Pereira 2008: Luiz Carlos Bresser-Pereira, “The Tendency to the Overvaluation of the Exchange Rate,” Chapter 4 from author’s then forthcoming book *Globalization and Competition*, <http://www.bresserpereira.org.br/papers/2008/08.23.tendencytotheovervaluation.nov3.pdf>
8. Mallesons (2017), King & Wjood Mallesons, “China’s capital flows – a reform dilemma,” *Lexology*, News Feed, <http://www.lexology.com/library/detail.aspx?g=8facf0c8-c60e-43c2-ae3a-75f2413da6f3>
9. Koehane (2015), David Keohane, “This isn’t the Chinese capital account liberalization you’re looking for,” *Financial Times*, July 17, 2015, <https://ftalphaville.ft.com/2015/07/17/2134607/this-isnt-the-chinese-capital-account-liberalisation-youre-looking-for/>

**Class 12 (Nov 14) – China’s Outward International Commercial Initiatives**

1. AIIB 2017, Asian Infrastructure Investment Bank, “About AIIB,’ AIIB web site, <https://www.aiib.org/en/about-aiib/index.html>
2. Hsu 2017, Sarah Hsu, “How China’s Asian Infrastructure Investment Bank Fared Its First Year, *Forbes*, 14 January 2017, <https://www.forbes.com/sitesEnSoft/sarahsu/2017/01/14/how-chinas-asian-infrastructure-investment-bank-fared-its-first-year/#6710c3f55a7f>
3. Chow 2017, pp. 1255-1264 only, “Daniel C. K. Chow, “Why China Established the Asia Infrastructure Investment Bank,” *Vanderbilt Journal of Transnational Law*, Vol. 49, <https://www.vanderbilt.edu/jotl/wp-content/uploads/sites/78/7.-Chow_Paginated.pdf>
4. Wade 2016: Geoff Wade, “China’s ‘One Belt, One Road’ initiative,” Australian Parliament Library, Briefing Book 45p, <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook45p/ChinasRoad>
5. Tian 2016: Jinchen Tian, “’One Belt and One Road’: Connecting China and the world,” McKinsey Insights, McKinsey & Company, April 2016, <http://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/one-belt-and-one-road-connecting-china-and-the-world>
6. Ma 2016: Cecilia Ma Zecha, Kevin Sneader, Joe Ngai, “China’s One Belt, One Road: Will it reshape global trade?” McKinsey Podcast, July 2016, <http://www.mckinsey.com/global-themes/china/chinas-one-belt-one-road-will-it-reshape-global-trade>
7. Reuters 2017, Reuters, “BRICS bank to lend between $2.5-3 billion in 2017 – China Daily,” *Money News*, 2 March 2017, <http://in.reuters.com/article/china-brics-bank-idINKBN1690PN>
8. Xinhua 2017: Xinhu, “2017 The First BRICS Sherpa Meeting,” 23 February 2017, <http://news.xinhuanet.com/english/2017-02/23/c_136080186.htm>
9. Eichengreen 2016: pp. 1-8, Barry Eichengreen and Masahiro Kawai, “RMB Internationalization: Introduction and Overview, Brookings Institution, July 2016, <https://www.brookings.edu/wp-content/uploads/2016/07/Chapter-One-6.pdf>
10. KPMG 2017, KPMG, “Going Global: Trends and implications in the internationalisatin of China’s currency,” KPMG Financial Services, <https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2017/01/going-global-chinas-currency.pdf>
11. Hanemann 2016, Thilo Hanemann and Mikko Huotari, “A New Record Year for Chinese Outbound Investment in Europe,” Rhodium Group, February 2016, <http://rhg.com/wp-content/uploads/2016/02/A_New_Record_Year_for_Chinese_Outbound_Investment_in_Europe.pdf>

**Nov 21 – NO CLASS – THANKSGIVING HOLIDAY BREAK**

**Class 13 (Nov 28) – China’s Environmental and Economic Prospects, with their Global Significance**

1. Kroeber (2016), Chapters 8, 13
2. Naughton (2018): Chapter 21
3. Xinhua 2017: Xinhua, “Solid Q1 growth lifts full-year economic prospects,” *China Daily* web site, <http://www.chinadaily.com.cn/business/2017-04/18/content_28972929.htm>
4. Dollar 2017: David Dollar, “The future of U.S.-China economic ties,” in Michael E. O’Hanlon, ed., *Brookings Big Ideas for America*, Revised 23 January 2017, <https://www.brookings.edu/research/the-future-of-u-s-china-trade-ties/>
5. Zhang 2017: Allan Zhang, “China’s long-term economic growth prospects,” Price-Waterhouse-Coopers, February 2017, <http://www.pwchk.com/en/about-us/china-economic-growth-feb2017.pdf>
6. Yao 2016: Yang Yao, “A New Normal, but with Robust Growth: China’s Growth Prospects in the Next 10 Years,” Brookings Institution, in THINK TANK 20: Growth, Convergence and Income Distribution: The Road from the Brisbane G-20 Summit, pp. 77-82, <https://www.brookings.edu/wp-content/uploads/2016/07/tt20-china-growth-prospects-yao.pdf>
7. Keidel (2008b): pp. 5-9 in “China’s Economic Rise – Technical Note,” (to accompany Policy Brief No. 61, “China’s Economic Rise – Fact and Fiction,” Carnegie Endowment, July, 2008, ([www.carnegieendowment.org/files/Technical\_Note.pdf](http://www.carnegieendowment.org/files/Technical_Note.pdf))
8. **Summary Lessons and Conclusions**

**Class 14 (Dec 5) – Lessons and Challenges of China’s Economic Rise**

Porter 2016: Executive Summary and Chapter 2, pp. 2-5, 9-10, Michael E. Porter, Jan W. Rivkin, Mihir A. Desai, with Manjari Raman, “Problems Unsolved and a Nation Divided: The State of U.S. Competitiveness 2016,” Harvard Business School, September 2016, <http://www.hbs.edu/competitiveness/Documents/problems-unsolved-and-a-nation-divided.pdf> ,

Economist 2016: [no author], “Fiscal multipliers: Where does the buck stop?” *The Economist*, 11 August 2016, <http://www.economist.com/news/economics-brief/21704784-fiscal-stimulus-idea-championed-john-maynard-keynes-has-gone-and-out>

Roach 2017: Stephen S. Roach, “Businesses aren’t the weak link in the U.S. economy,” *MarketWatch*, 27 February 2017, <http://www.marketwatch.com/story/businesses-arent-the-weak-link-in-the-us-economy-2017-02-27>

Mujkherjee 2014: Andy Mukherjee, “5 economic lessons India can learn from China,” *Reuters*, in *Rediff Business*, 17 September 2014, <http://www.rediff.com/business/report/pix-column-5-economic-lessons-india-can-learn-from-china/20140917.htm>

Diop 2015: Makhtar Diop, “Lessons for Africa from China’s Growth,” lecture delivered at Qinghua University, Beijing, 13 January 2015, <http://www.worldbank.org/en/news/speech/2015/01/13/lessons-for-africa-from-chinas-growth>

Roberts 2017: Michael Roberts, “ASSA 2017 part 2 – Economists and the state of economics,” Michael Roberts Blog, 11 January 2017, <https://thenextrecession.wordpress.com/2017/01/11/assa-2017-part-2-economists-and-the-state-of-economics/>

Keidel 2005, Albert Keidel, “China’s Growing Pains Shouldn’t Hurt Us,” *Washington Post*, 24 July 2005, <http://www.washingtonpost.com/wp-dyn/content/article/2005/07/22/AR2005072202217.html>

**Final Exam (Dec 12, Time/Location TBD)**