

Hong Kong Baptist University

School of Business

GDBU 1017/ China and the New World Economy

Contact Information

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Course Schedules

Course Day/Time	Building	Room
Thursday 2:30pm - 5:20pm	AAB	609

Course Description

The course is not simply about economic relations between China and other countries, but also provides a perspective to understand China's reform, reality and future. In the past thirty years, China's economy, as well as politics and society, has been intertwined with the other countries. On the one hand, China learns from the western world when making strategies of reform and development, from marketization to fiscal decentralization; from introducing modern financial market to rebuilding legal system. On the other hand, China, as a rising power, has started to reshape the order of the world. By taking its comparative advantage, China has become the "world factory" by re-framing the global production chain. The high saving rate in China is also accused of making global imbalance and even financial crisis. By emphasizing the role of interaction with other countries, the course aims to figure

out the basic logic of the development in China after "reform and opening". The course also provides facts and analysis on the impact of China on the other countries, particularly the developing ones. As an extension, the last part of the course will be on the future of the China and the new world economy.

Course materials

1. Chapters in *The Chinese Economy: Transitions and Growth*, B. Naughton, The MIT Press, 2007 (Naughton hereafter)
2. Chapters in *Governing Rapid Growth in China: Equity and Institutions*, R. Kanbur and X. Zhang, Routledge, 2009 (Kanbur hereafter)
3. Chapters in *Capitalizing China*, J. Fan and R. Morck, The University of Chicago Press, 2013 (Fan hereafter)
4. Chapters in *China's Great Economic Transformation*, L. Brandt and T. Rawski, Cambridge University Press, 2008 (Brandt hereafter)
5. Chapters in *China's Economic Transformation*, G. Chow, Blackwell Publishing, 2007 (Chow hereafter)
6. Chapters in *China and the World Economy*, D. Greenaway, C. Milner and S. Yao, Palgrave Macmillan, 2010 (Greenaway hereafter)
7. Other compulsory and optional readings.

Course Outline and Reading List

Lecture 1: Introduction

1. The aim and structure of the course
2. Clash of civilization: traditional, red and "marketized" China
3. Logic of China's reform: marketization, liberalization and decentralization
4. The dragon takes wing: trade, finance, energy and environment

Lecture 2: Marketization

1. Price reform
2. Property right and ownership reform
3. Urbanization
4. Supportive system: financial market, legal system, human capital and technology

Compulsory readings for lecture 1 & 2:

1. Chapter 3 of Chow
2. Chapter 4 and 5 of Naughton

Optional readings for lecture 1 & 2:

1. Chapter 10 of Brandt
2. Chapter 11 of Brandt
3. Chapter 12 of Chow

Lecture 3: Liberalization

1. Banking system
2. Stock market
3. Formal and informal financial sector

Compulsory readings:

1. Chapter 19 of Naughton

Optional readings:

1. Chapter 1 of Fan
2. M. Ayyagari, A. Demirgüç-Kunt and V. Maksimovic, 2010. "Formal versus Informal Finance: Evidence from China," *Review of Financial Studies*, Society for Financial Studies, vol. 23(8), pages 3048-3097, August.

Lecture 4: Governance

1. Fiscal decentralization
2. Political centralization

Compulsory readings:

1. Chapter 8 of Fan

Optional readings:

1. Chapter 12 of Kanbur
2. Chapter 12 of Brandt

Lecture 5: International Trade 1

1. World factory: a year without "made in China"
2. Patterns of China's export and import

Compulsory readings:

1. Chapter 16 of Naughton

Optional readings:

1. Chapter 4 of Greenaway
2. Chapter 5 of Greenaway

Lecture 6: International Trade 2

1. Induced technology progress
2. Induced industrial development

Compulsory readings:

1. Chapter 8 of Greenaway
2. Chapter 9 of Greenaway

Optional readings:

1. Chapter 15 of Brandt
2. N. Bloom, M. Draca and J. van Reenen, 2011. "Trade Induced Technical Change? The Impact of Chinese Imports on Innovation, IT and Productivity," CEP Discussion Papers dp1000, Centre for Economic Performance, LSE.

Lecture 7: International Trade 3

1. Globalization: reshaping global production network
2. The poor in times of globalization

Compulsory readings:

1. Chapter 7 of Greenaway
2. T. Sturgeon, J. van Biesebroeck and G. Gereffi, 2008. "Value chains, networks and clusters: reframing the global automotive industry," *Journal of Economic Geography*, Oxford University Press, vol. 8(3), pages 297-321, May.

Optional readings:

1. *The Poor under Globalisation in Asia, Latin America and Africa*, M. Nissanke and E. Thorbecke, Oxford University Press, 2010

Lecture 8: International Finance 1

1. FDI and economic growth
2. FDI, industrial development and regional inequality

Compulsory readings:

1. Chapter 6 of Greenaway
2. Chapter 10 of Greenaway

Optional readings:

1. Chapter 17 of Naughton
2. *Selling China*, Y. Huang, Cambridge University Press, 2003

Lecture 9: International Finance 2

1. Global imbalance: China and the other countries
2. Saving rate, capital control and global imbalance

Compulsory readings:

1. O. Maurice and R. Kenneth, 2009. "Global Imbalances and the Financial Crisis: Products of Common Causes," CEPR Discussion Papers 7606, CEPR. Discussion Papers.

Optional readings:

1. D. Yang, 2012. "Aggregate Savings and External Imbalances in China," Journal of Economic Perspectives, American Economic Association, vol. 26(4), pages 125-46, Fall.
2. M. Feldstein, 2008. "Resolving the Global Imbalance: The Dollar and the U.S. Saving Rate," Journal of Economic Perspectives, American Economic Association, vol. 22(3), pages 113-25, Summer.
3. Chapter 5 of Fan
4. Chapter 6 of Fan

Lecture 10: International Finance 3

1. China and financial crisis: 1997
2. China and financial crisis: 2007

Compulsory readings:

1. J. Yellen, 2007. "The Asian financial crisis ten years later: assessing the past and looking to the future," Speech 31, Federal Reserve Bank of San Francisco.
2. C. Wong, 2011. "The Fiscal Stimulus Programme and Public Governance Issues in China", OECD Report.

Optional readings:

1. Y. Deng, R. Morck, J. Wu and B. Yeung, 2011. "Monetary and Fiscal Stimuli, Ownership Structure, and China's Housing Market," NBER Working Papers 16871, National Bureau of Economic Research, Inc.
2. P. Krugman, 1999. "Balance Sheets, the Transfer Problem, and Financial Crises," *International Tax and Public Finance*, Springer, vol. 6(4), pages 459-472, November.
3. C. Giancarlo, P. Paolo and R. Neural, 1999. "Paper tigers?: A model of the Asian crisis," *European Economic Review*, Elsevier, vol. 43(7), pages 1211-1236, June.

Lecture 11: Energy and Environment

1. China's energy policy
2. China's climate and environmental policy

Compulsory readings:

1. L. Hanauer and L. Morris, 2014. "Chinese Engagement in Africa", Rand Report.
2. G. Stang, 2014. "China's energy demands: are they reshaping the world?", European Union Institute for Security Studies Report.
3. J. Busby, 2010. "China and Climate Change: A Strategy for U.S. Engagement", RFF Report.

Optional readings:

1. Chapter 20 of Naughton

Lecture 12: Conclusion

1. Future of Chinese economy

Compulsory readings:

1. Chapter 20 of Brandt
2. Chapter 13 of Kanbur

Presentation Topics

1. Economic relations between China and US
2. Economic relations between China and EU
3. Economic relations between China and Japan
4. Economic relations between China and Africa
5. Economic relations between China and *BRICS*
6. Asian financial crisis
7. China and WTO
8. Capital control in China

Planned Progress

Date	Lecture	Presentation
Sept. 10, 2015	Lecture 1	-
Sept. 17, 2015	Lecture 2	-
Sept. 24, 2015	Lecture 3	-
Oct. 8, 2015	Lecture 4	-
Oct. 15, 2015	Lecture 5	Presentation 1
Oct. 22, 2015	Lecture 6	Presentation 2
Oct. 29, 2015	Lecture 7	Presentation 3
Nov. 5, 2015	Lecture 8	Presentation 4
Nov. 12, 2015	Lecture 9	Presentation 5
Nov. 19, 2015	Lecture 10	Presentation 6
Nov. 26, 2015	Lecture 11	Presentation 7
Dec. 3, 2015	Lecture 12	Presentation 8

Grading

The course grade is based on presentation (20%), assignment (30%) and examination (50%).

Presentation:

Students are divided into eight groups (6 student at max per group). From the 5th week, each group will present a topic. The topic (and presentation order) will be decided by drawing lots. Each presentation will take 15 min (20 at max), audience can interrupt and ask questions during presenting. Each team has to search information about the topic by themselves, the sources of information have to be clarified in the presentation. Independent and creative analysis is highly recommended. The grade of presentation does not only depend on the content, but also presentation skill, structure of presentation and interaction with audience.

Assignment:

The assignment is completed individually before final exam. The assignment is divided to two parts. In the first section, students are asked to choose one topic on class to write a short essay (less than two pages). The essay can be simply about what you learn from the course, but independent and creative investigation and analysis are most welcome. In the second section of the assignment, students should list, in their own opinions, top 3 achievements that China made after reform and top 3 problems that China are facing at current stage, and illustrate why. The length of the second section should be also shorter than two pages.

Exam:

The exam will be close-book. The time and location of exam are set by school. The exam consists of multiple choice questions and short answer questions. The content of exam will come from the compulsory readings.

Academic Conduct

It is your responsibility to know and understand the provisions of the HKBU Academic Conduct Code. Cases of suspected academic misconduct will be referred to the Dean's Office. Any student found guilty of cheating on an exam in this course will receive a minimum penalty of a zero grade for that exam.