

Economics 460

The Economy of China

Contact information:

Professor Jessica Leight

Schapiro 327, jessica.leight@williams.edu

Office hours: Tuesday 2-3:30, Wednesday 11-12:30

Class times: Tuesday and Thursday, 8:30-9:45

Please join me for dinner any Tuesday night at 6 PM at Paresky! Email me if you'd like to attend to facilitate coordination.

Course description:

This class will seek to understand the recent development of the Chinese economy, its rapid transformation in the post-Mao period, and the implications of this transformation for the welfare of Chinese households. While we will begin by providing a general analytical foundation for understanding the Chinese economy, the course will also have a substantial emphasis on the microeconomic literature that seeks to analyze the economic behavior and economic lives of Chinese households. It is worth noting that, reflecting my interests, the course will highlight topics in agriculture, institutions, demography, health and intrahousehold allocation; there will be relatively less emphasis on questions of macroeconomic policy and financial development, though students will be welcome to explore these topics in their papers and presentations.

Course sessions will include both lecture materials presented by me, and discussion. The balance will vary from week to week, and student input about the appropriate balance will also be welcome.

Prerequisites:

The prerequisites for the class are Economics 110, introductory microeconomics, and Economics 255, econometrics. Knowledge of material in these courses will be assumed. **If you have not taken these classes, permission must be obtained from the professor in order to enroll.**

Grading and assignments:

In class-quizzes: 15%

There will be two quizzes, administered at the midpoint and the end of the semester. The dates will be announced in class. Each quiz will test the mastery of the assigned reading and the lectures; they are

designed to ensure that students have a solid understanding of the basic principles of all the literature included.

Class participation: 15%

15% of the grade will be accounted for by class participation. This is not intended to be, and should not be viewed as, a “free” bonus for all students. Full credit will be given to students who attend class regularly unless they have notified me ahead of time and have a reasonable excuse, who make relevant and well-informed contributions to the discussion, and who show evidence of completing the required reading. In previous semesters, the average student has received around 80% credit for class participation in my seminars.

Literature critiques: 30%

Each student is required to write two 5-page literature critiques of papers selected from a list of additional papers provided by me. The critiques can be submitted at any point during the semester, but at least one must be submitted during the first twelve class sessions, and at least one during the second twelve sessions.

Each literature critique must do the following: provide an overview of the paper’s research question, methodology, data and results; describe the literature that the paper fits into; discuss potential weaknesses in the paper’s empirical approach; and suggest additional robustness checks or supplemental research that could provide more information about the question of interest.

Any paper can be chosen for a critique at any point in the semester, but no two students can write a critique on the same paper. I will create an on-line spreadsheet that allows students to sign up for their paper, but once you have signed up, **you must submit the critique** in one of the next two class sessions. (In other words, you cannot “reserve” a paper for a literature critique weeks ahead.)

Final paper and presentation: 40%

Each student is required to define an independent research topic to explore in a paper and final presentation. General areas suggested are grain and agricultural policy; education; environment and development; financial policy; trade policy; and women in the economy. These are all topics that are not adequately addressed in the primary syllabus, and would benefit from further examination. Students are also welcome to define a topic more closely linked to the questions addressed in the course, but will be required to show that they will engage in significant additional research and exploration.

Within these general areas, students must define a more precise research question of interest. For example: how has government policy around rural grain procurement varied over time in China? What impact has rapid industrialization had on women’s employment? What policy tools have been effective in reining in the negative impact of industrial development on the environment in China?

Each student must submit a written 2-page research proposal and annotated bibliography (5% of the final grade).

The question of interest should then be answered in a paper of 15-20 pages (both the minimum and maximum are binding), demonstrating mastery of the literature and attempting to provide an original contribution with bearing on the research question. The paper will count for 25% of the final grade.

In addition, every student is required to present his/her research to the class in an oral presentation, including slides. The presentations will be done in the last 4 class sessions; exact scheduling will be confirmed later in the semester, but each student can expect to have around 20 minutes to present, and there will also be time for questions. Students will be graded on the quality of their oral communication and their ability to effectively summarize the results of their research. The presentation will count for 10% of the final grade.

Policy on late submission of written work

Literature critiques and final papers submitted late without prior permission will be docked half a letter grade for each day.

Readings:

The readings will consist of chapters from three textbooks on the economy and political economy of China, as well as academic economics papers. I will draw on the textbooks in providing background about crucial points in Chinese economic development in class. In addition, I encourage you to draw on the textbooks (particularly Brandt and Rawski) when seeking to identify appropriate research topics; they provide valuable background as well as extensive references that can serve as a useful starting point for reading.

Readings can be found in the course pack available for purchase. However, to avoid printing two course packs, some materials were omitted: this includes the Saich and Naughton chapters, and the chapter in *The River Runs Black*. These materials will be posted on GLOW.

Textbooks:

Brandt, Loren and Thomas Rawski. 2008. *China's Great Economic Transformation*. Cambridge: Cambridge University Press.

Saich, Tony. 2001. *Governance and Politics of China*. New York: Palgrave.

Naughton, Barry. *The Chinese Economy: Transitions and Growth*. Cambridge: MIT Press.

Schedule of class readings:

Lecture 1-2: Overview and introduction; Review of causal inference

Brandt and Rawski, Chap. 1

Saich, Chap. 3

Naughton, Chap. 3

Lectures 3-4: Political economy and economic policy of the reform period

Brandt and Rawski, Chap. 4

Saich, Chap. 9

Martinez-Bravo, Monica, Gerard Padro I Miquel, Nancy Qian, and Yang Yao. "The effects of democratization on public goods and redistribution: Evidence from China." NBER Working Paper 18101, May 2012.

Lectures 5-6: Industrialization

Naughton, Chaps. 12 and 13

Jefferson, Gary, Thomas Rawski and Yuxin Zheng. 1992. "Growth, efficiency and convergence in China's state and collective industry." *Economic Development and Cultural Change* 40:2 (Jan.): 239-266.

Jin, Hehui and Yingyi Qian. 1998. "Public Versus Private Ownership of Firms: Evidence from Rural China." *Quarterly Journal of Economics* 113 (3): 773-808.

Lectures 7-8: Firms

Brandt and Rawski, Chap. 10

Cai, Hongbin, Hongbin Li, Albert Park, and Li-an Zhou, "Family ties and organizational design: Evidence from Chinese private firms." *Review of Economics and Statistics*, forthcoming.

Dollar, David and Shang-Jin Wei. "Das (wasted) capital : Firm ownership and investment efficiency in China." NBER Working Paper 13103, May 2007.

Lectures 9-10: Inequality, poverty and urbanization

Brandt and Rawski, Chap. 18

(Optional: Naughton Chap. 9 also provides a useful overview, though with considerable overlap with other sources cited.)

Wang, Shing-Yi. 2012. "Credit constraints, job mobility and entrepreneurship: Evidence from a property reform in China." *Review of Economics and Statistics* 94 (2): 532-551.

Ravallion, Martin and Shaohua Chen. 2007. "China's (uneven) progress against poverty." *Journal of Development Economics* 82: 1-42.

Lectures 11-12: Globalization

Brandt and Rawski, Chap. 16

Park, Albert, Dean Yang, Xinzhen Shi and Yuan Jiang. 2010. "Exporting and firm performance: Chinese exporters and the Asian financial crisis." *Review of Economics and Statistics* 94(2): 822-842.

Autor, David, David Dorn and Gordon Hanson. 2013. The China syndrome: Local labor market effects of import competition in the United States. IZA Working Paper.

[Research proposal and annotated bibliography is due in Lecture 12]

Quiz 1: Lecture 12

Lectures 13-14: Agriculture and property rights

Brandt and Rawski, Chap. 13

Lin, Justin Yifu. 1992. "Rural reforms and agricultural growth in China." *American Economic Review* 82:2 (March): 34-51.

Leight, Jessica. 2013. "Reallocating wealth? Insecure property rights and agricultural investment in rural China." Mimeo.

Lectures 15-16: Demography and health

Brandt and Rawski, Chap. 5

Meng, Xin and Nancy Qian. 2006. "The long-run health and economic consequences of famine on survivors: Evidence from China's Great Famine." IZA DP 2471.

Wei, Shang-Jin and Xiaobo Zhang. 2011. "The competitive saving motive: Evidence from rising sex ratios and Savings rates in China." *Journal of Political Economy* 119(3): 551-564.

Lectures 17-18: Intrahousehold allocation

Leight, Jessica. 2013. "Sibling rivalry: Ability and intrahousehold allocation in Gansu Province, china." Forthcoming, *Economic Development and Cultural Change*.

Qian, Nancy. 2008. "Missing women and the price of tea in China: The effect of sex-specific earnings on sex imbalance." *Quarterly Journal of Economics* 123 (3): 1251-1285.

Lecture 19-20: Environmental damage

Elizabeth Economy, *The River Runs Black*. Chap. 1

Chen, Yuyu, Avraham Ebenstein, Michael Greenstone and Hongbin Li. 2013. "Evidence on the impact of sustained exposure to air pollution on life expectancy from China's Huai river policy." PNAS 110:32.

Jia, Ruixue. 2012. "Pollution for promotion." Mimeo.

Lectures 21-24: Student presentations

Lecture schedule

Our class will include 24 lectures. There will be no class on Thursday, March 3; this class will be replaced by one-on-one meetings scheduled separately with each student to discuss the annotated bibliography for the final paper. In addition, class on Thursday, May 5 will be replaced by an evening make-up including dinner, set for the last day of student presentations.

1	Feb. 3
2	Feb. 9
3	Feb. 11
4	Feb. 16
5	Feb. 18
6	Feb. 23
7	Feb. 25
8	March 1
9	March 8
10	March 10
11	March 15
12	March 17
13	April 5
14	April 7
15	April 12
16	April 14
17	April 19
18	April 21
19	April 26
20	April 28
21	May 3
22	May 10
23	May 12
24	Make-up TBD