EC 364: Chinese Economy

Prof. Jianjun Miao

Spring 2009

Schedule Tuesday and Thursday 9:30-11:00pm at STH 113.

Office Hours Wednesday 4:30-6:00pm and Friday 4:30-6:00pm, or by appointment

Contact

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Course Overview This course introduces students to the workings of Chinese economy. It is about the transformation of China's economy into a market economy with its special characteristics. China has the largest population in the world and plays an important role in the global economy. Since the Chinese government introduced economic reform in 1978 from a planned economy toward a market-oriented economy, China has experienced rapid institutional changes and achieved an economic growth rate of about 9.5 percent per year. It is therefore necessary for every student concerned with the development of the world to understand the Chinese economy. In this course, we will combine both historical-institutional and theoretical-quantitative approaches to study China's economy. We will start with the historical background. We will then study economic growth, economic fluctuations, and macroeconomic policies.

Next, we will turn to the study of Chinese banking and financial markets and foreign trade. Finally, we will cover some selected topics such as consumption, population, and state and nonstate enterprises.

Prerequisites EC305 or equivalent (statistics), EC201 (Intermediate Microeconomics), EC202 (Intermediate Macroeconomics).

Course Web Site The class material (syllabus, lecture notes, announcements, problem sets, additional readings) will be posted on Course Info. In order to access the course web page you can go to http://courseinfo.bu.edu/courses/09sprggrsec364_a1/. You will be asked to login. Use your BU username and Kerberos password. You can also access the web page directly through Student Link (simply click the course button).

Textbooks Teaching will be based mostly on the textbook. Sometimes, I will produce lecture notes that will be made available on the course web site. The following textbook is required, which can be purchased from internet bookstores such as Amazon or Barnes&Nobel.

- Chow, Gregory C., 2007, *Chinas' Economic Transformation*, Second Edition, Blackwell Publishing. # ISBN-10: 1405156244. # ISBN-13: 978-1405156240

The following books are highly recommended. You may also find them from internet bookstores.

- Naughton, Barry, *The Chinese Economy: Transitions and Growth*, MIT Press, 2007
- Wu, Jinglian, *Understanding and Interpreting Chinese Economic Reform*, Publisher: Texere; 1 edition (December 14, 2005). # ISBN-10: 1587991977. # ISBN-13: 978-1587991974

Course Requirements and Grades Class attendance is required. Students are required to read the textbook before each class, and are expected to actively participate in classes. The final course performance is based on the following weights:

- Class participation: 10%.
- Homework: 10%
- Midterm exam: 30%.
- Final exam 50%.

There will be four problem sets during the course and one midterm exam. The midterm exam covers the first half of course materials. The final exam covers only materials after the midterm exam.

IMPORTANT It is your responsibility to plan your travel around exams dates. In particular, the date of the final exam is determined by the Registrar and cannot be changed for any reason. All exams are required. If you miss an exam without an acceptable excuse, you will receive a grade of zero. The only exceptions will be for a verified family emergency or for an illness or injury that is confirmed by the University Medical Clinic or other doctor. If you miss an exam for a legitimate reason, you will take a makeup exam.

Academic Conduct It is your responsibility to know and understand the provisions of the CAS Academic Conduct Code (http://www.bu.edu/cas/academics/programs /conductcode.html). 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.

COURSE OUTLINE

Weeks 1-2. Historical Background (Chow, Chapters 1-4)

- Geographical setting
- Planning economy
- Economic reform
- Problems and prospects

Weeks 3-4. Economic Growth (Chow, Chapter 5)

- Neoclassical growth model
- Data and regression analysis
- Estimating production function for China
- Neoclassical growth model applied to China

Week 5. Economic Fluctuations (Chow, Chapter 6)

- The multiplier-accelerator model
- VAR
- Econometric models of the Chinese economy

Week 6. Macroeconomic Policies (Chow, Chapter 7)

- Monetary policy
- Fiscal policy
- Econometric analysis

Week 7. The Banking and Financial System (Chow, Chapter 13)

- Commercial banks
- The People's Bank
- Other financial institutions

Week 8. Shanghai Stock Price Determination (Chow, Chapter 14)

- A model of stock price determination
- Empirical findings from the Shanghai Stock Exchange
- Comparison with findings for Hong Kong and New York Stocks

Week 9. The Behavior of State Enterprises (Chow, Chapter 15)

- State enterprise under central planning
- State enterprise after reform

Week 10. The Nonstate Sectors (Chow, Chapter 16)

- Township and village enterprises
- Econometric measurement

Week 11. Foreign Trade (Chow, Chapter 17)

- Determination of foreign exchange rate
- Foreign trade policy

Week 12. Foreign Investment (Chow, Chapter 18)

- Historical developments
- Policies for regulation
- WTO

Week 13. Consumption (Chow, Chapter 9)

- Household expenditure patterns
- Housing consumption

Week 14. Population (Chow, Chapter 11)

- Population and growth
- Population policy

Week 15. Human Capital (Chow, Chapter 12)

- Labor supply and demand
- Investment in human capital
- The social welfare system

Schedule

	Tuesday	Thursday
Week 1		01/15
Week 2	01/20	01/22
Week 3	01/27	01/29
Week 4	02/03	02/05
Week 5	02/10	02/12
Week 6	02/17 (**No Class**)	02/19
Week 7	02/24	02/26
Week 8	03/03	03/05
Week 9	**Spring Recess**	
Week 10	03/17	03/19 (**Midterm**)
Week 11	03/24	03/26
Week 12	03/31	04/02
Week 13	04/07	04/09
Week 14	04/14	04/16
Week 15	04/21	04/23 **(No Class)**
Week 16	04/28	04/30
Week 17	Study Period	