

# EC 370: Chinese Economy

Prof. Jianjun Miao

Fall 2012

**Schedule** Tuesday and Thursday 2:00-3:30pm at KCB 103.

**Office Hours** Tuesday 11:00-12:30pm and Wednesday 2:00-3:30pm, or by appointment

## **Contact**

- Office: Room 434, 270 Bay State Road
- E-mail: [miaoj@bu.edu](mailto:miaoj@bu.edu)
- Phone: 353-6675.
- Homepage: <http://people.bu.edu/miaoj>

**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 Boston University Blackboard 8. Use your BU username and Kerberos password.

**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: 20%
- Midterm exam: 30%.
- Final exam 40%.

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

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

## **Week 6. Macroeconomic Policies (Chow, Chapter 7)**

- Monetary policy
- Fiscal policy
- Econometric analysis

#### **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 and Exchange Rate (Chow, Chapter 17)**

- Determination of foreign exchange rate
- Foreign trade policy

#### **Week 12. Foreign Direct Investment (Chow, Chapter 18)**

- Historical developments
- Policies for regulation
- WTO

**Week 13. Housing Market (Chow, Chapter 9)**

- Housing market
- Housing bubble

**Week 14. Population (Chow, Chapter 11)**

- Population and growth
- Population policy

# Schedule

	Tuesday	Thursday
Week 1	09/04	09/06
Week 2	09/11	09/13
Week 3	09/18	09/20
Week 4	09/25	09/27
Week 5	10/02	10/04
Week 6	10/09 (No Class)	10/11
Week 7	10/16	10/18 (Midterm)
Week 8	10/23	10/25
Week 9	10/30	11/01
Week 10	11/06	11/08
Week 11	11/13	11/15
Week 12	11/20	11/23 (No Class)
Week 13	11/27	11/30
Week 14	12/04	12/06
Week 15	12/11	End
Week 16	12/13-12/16	Study Period
Week 17	12/17-12/21	Exam Period