



江西財經大學
JIANGXI UNIVERSITY OF FINANCE & ECONOMICS

Course Title:

**Understanding China's Economic Growth
——Theory and Policy**

Course Code: FS350

Credits: 2

Teaching hours: 32

Prerequisites: Macroeconomics

Semester: Fall and Spring Semester

Lecturer's Information:

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Course Description:

Over the past century, China has undergone some dramatic changes. This course deals with some basic issues relating to China's policy transformation and economic growth. The course covers a number of very interesting topics, including: China's super-population (I'm not sure what super-population means – is it an accepted term? Or does it refer to 'large population'?) and economic growth; the top priority given to heavy industry and the dual economy syndrome; Rural Communes, the Great Leap Forward and the Great Disaster of 1959-1961; executive privilege and the central-command economy, etc. In addition to reviewing important historical developments, this course will also address some of the critical questions currently facing China's policymakers, such as: China's high deposit ratio puzzle: what determines the propensity to consume? Why is China's saving rate so high and why has the saving ratio increased from about 5% in 1950s to more than 40% in 2010s, while during the same period the savings ratio in the United States has seen no such increase and has remained at a relatively low level? Why does China's money supply increase much faster than GDP growth adjusted by inflation? Furthermore, as a result of China's huge balance of payments surplus, there is pressure and expectation for a

revaluation of the RMB. The consequences of China's persistent balance of payments surplus is wide ranging and may press for economic adjustment and has consequences for the internal balance and macro-economic stability as well as relationships with other powerful big countries. Hence, important questions include: why has there been no automatic adjustment of China's balance of payments? Can the appreciation of the RMB solve China's balance of payments problem?

Aims and Objectives:

The objective of this course is to understand the background of China's economic development and critically apply and evaluate various theories and perspectives. It provides students with opportunities to examine the relationships between some of the most important variables, such as political privilege, property rights, income source, income distribution, policy processes, propensity to consume, market orientated reforms, etc., and helps students with focusing especially on the part that cannot be explained by traditional classical models.

Learning Outcomes:

Students who choose this course are expected to achieve the following learning outcomes:

- Understand the role and function of privilege in traditional economic society.
- Understand the cause and impact of dual economy in China.
- Be familiar with the background of China's economic transition.
- Be familiar with the operation of the social ranking motive in a market economy.
- Understand the role and operation of abnormal patterns of China's money demand.
- Comprehend the process and main causes of China's payment balance surplus in the long run.
- Be familiar with consumer behavior and what determines the propensity to consume.
- Apply social man concepts to analysis of economic decisions.

Prerequisite: a solid understanding of classical microeconomics and macroeconomics is necessary for students taking this course. Any student who is interested in this course should first take the microeconomics and macroeconomics courses.

Teaching Methods:

Teaching methods will involve a combination of formal lectures, group work, class discussion, students' presentation, and typical case study. Rational and critical ways of

thinking will be emphasized when teaching through the entire course.

This course requires problem solving, analysis, and class discussion on some typical China's economic topics. Students will be encouraged to explore the application and flaws of concepts and models from the perspective of China's experience.

Students Assessment:

Final Examination	50%
written assignment	20%
Class discussion and presentation as team work	20%
Class participation and performance:	10%
Total	100%

Note: To achieve a pass grade in this course, students must obtain 60% or more as an aggregate mark.

The follow table shows the grade associated with each of the different ranges of total possible weighted points:

A	95-100%
A ⁻	90-94%
B ⁺	85-89%
B	80-85%
B ⁻	70-79%
C	60-69%
F	59% or less

Final Exam:

A two-hour final exam is required after 16 weeks study every semester. The final exam is in-class, closed book, and cumulative. It will consist of multiple choice, short questions, and short essay questions. The examination is designed to cover the learning outcomes for this course and to test students' understanding of the theories and will require them to express their own critical ideas. Questions are set not only to test students' basic comprehension of the premises and logic of hypotheses but also their ability to apply such knowledge.

A written assignment of 3000-5000 words should be submitted before the deadline of

the twelfth week during the semester. This will assess the students' writing skills, their ability to solve complex problems and their critical understanding of the concepts, theories and evidence.

Your Part in Class Preparation and Participation

Class preparation and participation are very important components of this course. Students are expected to carefully read the assigned materials and come prepared to discuss them. Students will also be randomly chosen to lead discussion in the assigned topics and should expect to be cold-called. Of course, neglect of participation and preparation will affect your grades.

In general, including the time spent in lectures and classes, you should expect to spend an average of approximately 6 hours per week on this course. You will be expected:

- To seek for your information materials and references on the assigned lecture topic;
- To prepare for each class discussion in advance by reading and preparing outline answers to questions and notes to form the basis of discussion;
- To work through lecture notes and other materials regularly to check your understanding of the concepts and models discussed, and to raise any difficulties with your class tutor or lecturer;
- To work towards a Team Project which should draw on lecture notes and the references provided but also on a range of other sources. An important aspect of the Team Project is the Team's ability to search the relevant literature and find relevant material. You should be gathering material for the Project from the outset of the course.

Team Project:

Team work is preferred in the class. The Team Project is a piece of collaborative work culminating in a project report as a presentation and assessed as 20% of the total course assessment. Ideally, teams should consist of 3 individuals, although teams of 2 or 4 members may be allowed with the Course Lecturer's explicit permission. Team members will work together to produce a joint report, and each member of a team will receive the same mark for the report. It is up to each team to allocate responsibilities between team members and organize its own work.

Academic Integrity:

Cheating is prohibited. You are expected to follow the rules of academic honesty in this class. This means that the examination and written assignment are to be your own work using only the material permitted during final examination. In addition, you should appropriately reference any materials that you use in completing your assignments.

Contents of Teaching Activities:

Part I Super-population and Fast Economic Growth

- Chapter 1 An Introduction to Sources of Income and China's Bottleneck
- Chapter 2 Malthusian Theory of Population and China's Population Fluctuation
- Chapter 3 Under-employment and Economic Growth

Part II Central-command Economy and the Role of Privilege

- Chapter 4 Top-priority of Heavy Industry and Rural Commune
- Chapter 5 Understanding Privilege and Interest Groups
- Chapter 6 Great Leap Forward and the Great Disaster 1959-1961
- Chapter 7 Dual Economy Syndrome in China
- Chapter 8 Property Rights, Comparative Advantage and Transition Reform
- Chapter 9 J.B. Say's Law, Shortage and Indistinct Inflation
- Chapter 10 Path Dependence: From Central-command to Market Economy

Part III Classical Consumption Theories and the High Saving Ratio Puzzle

- Chapter 11 Objective Factors, Subjective Factors and Keynes's "Law of the Thumb"
- Chapter 12 Life-cycle and Permanent Income Hypotheses
- Chapter 13 Relative Utility and Social Ranking: What Determines the MPC?
- Chapter 14 How to Unscramble the Consumption Puzzle?

Part IV Exchange Rate: Theory, Policy and China's Unbalance of Payments

- Chapter 15 Exchange-Rate Policy and China's Central Bank
- Chapter 16 International Arbitrage, Purchasing Power Parity, and Interest Rate Parity
- Chapter 17 Relationships Among Inflation, Interest Rates, and Exchange Rates
- Chapter 18 Internal and External Conflict of Economy
- Chapter 19 Can RMB Exchange Rate Adjustment Stabilize the Balance of Payments?

Part V Modern Monetary Economics, Money Expansion and Investment

Chapter 20 The Central Bank Balance Sheet and the Money Supply Process

Chapter 21 Money Growth, Money Demand, and Modern Monetary Policy

Chapter 22 Why Is China's Money Supply Growth Much Faster Than Economic Growth?

Chapter 23 High Saving Ratio and Government Driven Investment