THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS

MASTER OF ECONOMICS
M. Econ. 6057
Fall 2017

China in the Global Economy

Instructor: Professor Geng XIAO
Office: Room 1227, K. K. Leung Building
Telephone: 3917-5243; Email: xiaogeng@hku.hk
Lecture Time: 6:45pm-9:45pm on Tuesday
Venue: Room 102, K. K. Leung Building

Course Description:

This course will examine the progresses and challenges of China's rapid economic growth toward one of the largest economies in the world and its deepening integration into the global trade and financial systems. It will focus on China's interactions with the global economy and their domestic and international implications. The topics will include: China's foreign trade and investment; reform, opening, growth and efficiency of China's domestic and external sectors and their impacts on the structure of China's balance of payments; China's currency and monetary policies and their impacts on the domestic and international trade and finance; China's capital market reform and development and their domestic and international implications; China's role in maintaining international financial order.

Programme Learning Outcomes (PLOs) for MEcon:

- PLO1. Understanding of fundamental theories and new development in economics
- PLO2. Mastering of skills in analyzing economic data
- PLO3. Demonstration of ability to apply economic knowledge and analytical skills to address policy and business problems
- PLO4. Awareness of ethical concerns in economic issues
- PLO5. Mastering of communication skills
Course Learning Outcomes:

Course Learning Outcomes
– On completing the course, students will be able to:

<table>
<thead>
<tr>
<th>Course Learning Outcomes</th>
<th>Alignment with Program Learning Outcome (PLO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Articulate useful theories and perspectives about the rapid growth of the Chinese economy since 1978 and its gradual integration into the global trade, investment and financial systems.</td>
<td>PLO1</td>
</tr>
<tr>
<td>2 Appreciate the relations and interactions between China’s domestic economic reform and growth and its opening to the global economic communities.</td>
<td>PLO2</td>
</tr>
<tr>
<td>3 Analyze the impacts of China’s economic development on the global economy in terms of challenges and opportunities to individuals, companies, and countries around the world.</td>
<td>PLO3</td>
</tr>
<tr>
<td>4 Identify and communicate the social and economic problems China faces in its quest for modernization and possible solutions so as to facilitate better actions for global prosperity.</td>
<td>PLO4 &amp; PLO5</td>
</tr>
</tbody>
</table>

Assessment: 100% course work

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Details of Assignment</th>
<th>Weight</th>
<th>Alignment with Course Learning Outcome (CLO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation</td>
<td>Attend lectures and presentation sections and participate in the discussions</td>
<td>15%</td>
<td>CLO: 1, 2, 3, 4</td>
</tr>
<tr>
<td>Written assignment</td>
<td>Write a short analytic essay of between 2000 and 3000 words on an assigned topic. An outline of the paper should be submitted after the reading week at the beginning of the Oct 31 class and it should include key questions of the essay, key background literatures reviewed, and key stylized facts for supporting the conclusion.</td>
<td>50%</td>
<td>CLO: 1, 2, 3, 4</td>
</tr>
<tr>
<td>Group presentation</td>
<td>Form project groups of 3 to 5 members for delivering a 30-minutes in-class presentation on an assigned topic using slides not more than 30 pages. A draft of the presentation slides should be submitted at the class meeting one week before the scheduled presentation and discussion.</td>
<td>35%</td>
<td>CLO: 1, 2, 3, 4</td>
</tr>
</tbody>
</table>
## Course Schedule and Topics:

<table>
<thead>
<tr>
<th>Date</th>
<th>Class</th>
<th>Topic/Event</th>
</tr>
</thead>
</table>
| Sept 5 | 1     | Lectures:  
|        |       | • L1. Overview of China’s economic reform and opening |
| Sept 12| 2     | • L2. Economics and the global economy |
| Sept 19| 3     | • L3. China’s evolving growth model |
| Sept 26| 4     | • L4. China’s integration into the global value chain: The story of Foshan |
| Oct 3  | 5     | • L5. China and the world economy |
| Oct 10 | 6     | • L6. China’s macroeconomic and financial challenges |
| Oct 24 | 7     | Panels with group presentation and discussion:  
|        |       | • P1. The development of China’s Pearl River Delta bay area  
|        |       | • P2. Risks and opportunities in China’s housing markets |
|        | Reading week | Outline for writing assignment to be handed in after the reading week at the beginning of the class on Oct 31, 2017. |
| Oct 31 | 8     | • P3. The SOE reform and the rise of private sector in China  
|        |       | • P4. China’s capital market development |
| Nov 7  | 9     | • P5. China’s high savings and its credit boom  
|        |       | • P6. China’s fiscal challenges and the central-local government relations |
| Nov 14 | 10    | • P7. China’s monetary policy: challenges and opportunities  
|        |       | • P8. RMB and China’s capital account liberalization |
| Nov 21 | 11    | • P9. Inequality and sustainable growth in China  
|        |       | • P10. The digital transformation of China’s economy and finance |
| Nov 28 | 12    | Concluding lecture:  
|        |       | • L7. China in the global economy: policy challenges and options |
| Dec 12 |       | Writing assignment due at noon on Tuesday December 12, 2017 |
Recommended Reading by Topic:

Lecture 1. Overview of China’s economic reform and opening
- https://www.ted.com/talks/martin_jacques_understanding_the_rise_of_china (video)
- China’s Incomplete Contracts, Co-authored with Andrew Sheng, Project Syndicate, October 31, 2016.
- Beyond Structural Reform in China, Co-authored with Andrew Sheng, Project Syndicate, July 29, 2016.
- China’s Reform Roadmap, Co-authored with Andrew Sheng, Project Syndicate, November 9, 2013.
- China’s Antifragile Ambitions, Co-authored with Andrew Sheng, Project Syndicate, January 16, 2012.

Lecture 2. Economics and the global economy
- Jeffrey Sachs on the Age of Sustainable Development at London School of Economics and Political Sciences (video; https://www.youtube.com/watch?v=EadvEChBNUA).

Lecture 3. China’s evolving growth model
- Micro, Macro, Meso and Meta Economics, Co-authored with Andrew Sheng, Project Syndicate, October 9, 2012.
- Coase’s Chinese Legacy, Co-authored with Andrew Sheng, Project Syndicate, September 18, 2013.
- China’s Institutional Challenge, Co-authored with Andrew Sheng, Project Syndicate, December 17, 2015.
- China’s Trial and Error Economy, Co-authored with Andrew Sheng, Project Syndicate, March 20, 2015.
- Experimental China, Co-authored with Andrew Sheng, Project Syndicate, June 16, 2015.
- China’s Dual-Track Challenge, Co-authored with Andrew Sheng, Project Syndicate, February 26, 2015.

Lecture 4. China’s integration into the global value chain: The story of Foshan
- Foshan’s Four Surprises, Co-authored with Andrew Sheng, Project Syndicate, December 23, 2013.
- https://www.ted.com/talks/parag_khanna_how_megacities_are_changing_the_map_of_the_world
Lecture 5. China and the world economy
- http://english.gov.cn/BeltAndRoad/
- https://www.ted.com/talks/kevin_rudd_are_china_and_the_us_doomed_to_conflict (video)

Lecture 6. China’s macroeconomic and financial challenges

Lecture 7. China in the global economy: policy challenges and options
- https://www.ted.com/talks/joseph_nye_on_global_power_shifts (video)
- Jeffrey Sachs on America and a New World Order (Video; March 8, 2017; https://www.youtube.com/watch?v=AhyD-fPS0vs)
Panel 1. The development of China’s Pearl River Delta bay area

- The Promise of China’s Pearl River Delta, Co-authored with Andrew Sheng, Project Syndicate, May 26, 2017.

Panel 2. The risks and opportunities in China’s housing markets

- Keynes and Hayek in China’s Property Markets, Co-authored with Andrew Sheng, Project Syndicate, September 26, 2016.
- Great Cities and Ghost Towns, Co-authored with Andrew Sheng, Project Syndicate, September 18, 2014.

Panel 3. The SOE reform and the rise of China’s private sector in China

- China’s State-Owned Enterprises at a Crossroads, Co-authored with Andrew Sheng, Project Syndicate, June 28, 2016.
Panel 4. China’s capital market development
- The Next Phase of China’s Financial Deepening, Co-authored with Andrew Sheng, Project Syndicate, November 27, 2014.
- Putting Asia’s Savings to Work in Asia, Co-authored with Andrew Sheng, Project Syndicate, February 21, 2017.
- China’s Live Stress Test, Co-authored with Andrew Sheng, Project Syndicate, July 21, 2015.
- Channeling China’s Animal Spirits, Co-authored with Andrew Sheng, Project Syndicate, May 26, 2015.
- Moving from Debt to Equity in China, Co-authored with Andrew Sheng, Project Syndicate, May 31, 2016.
- Ten Policy Recommendations to Make Shanghai a Top IFC within a Decade, Brookings-Tsinghua Center for Public Policy, May 27, 2008.
- Challenges with Which Shanghai is Faced to Become a Global Financial Center & Its Policy Choices, Brookings-Tsinghua Center for Public Policy, February 25, 2008.

Panel 5. China’s high savings and its credit boom
- Qu, Hongbin; Wang, Julia; Li, Jing; Bhat, Aakanksha. “How Worrying is China’s Debt?” HSBC Global Research, April 21, 2016.
- China in the Debt-Deflation Trap, Co-authored with Andrew Sheng, Project Syndicate, September 24, 2015.
- China’s Subprime Risks, Co-authored with Andrew Sheng, Project Syndicate, July 28, 2014.
- China’s Risky Credit Boom, Co-authored with Andrew Sheng, Project Syndicate, January 31, 2013.

Panel 6. China’s fiscal challenges and its central-local government relations
- Lending in the Dark, Co-authored with Andrew Sheng, Project Syndicate, April 22, 2013.
Panel 7. China’s monetary policy: challenges and opportunities

Panel 8. RMB and China’s capital account liberalization

Panel 9. Inequality in China: driving forces and policy options
- Piketty with Chinese Characteristics, Co-authored with Andrew Sheng, Project Syndicate, July 2, 2014.

Panel 10. The digital transformation of China’s economy and finance
- Barbarians at the Monetary Gate, co-authored with Andrew Sheng, Project Syndicate, August 30, 2017.
- The Making of China’s Consumer Society, Co-authored with Andrew Sheng, Project Syndicate, August 26, 2016.
## Grade Descriptors

<table>
<thead>
<tr>
<th>Grade</th>
<th>Criteria and Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assessment Task: Participation</strong></td>
<td></td>
</tr>
</tbody>
</table>
| A+, A, A- | • Contributes to the discussion, engages with other students’ ideas sensitively and helps move the discussion forward in all classes.  
• Presents ideas clearly, fluently and articulately in all tutorials. |
| B+, B, B- | • Contributes to the discussion, engages with other students’ ideas sensitively and helps move the discussion forward in most classes.  
• Presents ideas clearly and fluently most of the time. |
| C+, C, C- | • Contributes to the discussion but sometimes with prompting, and has little engagement with other students’ ideas.  
• Has difficulty articulating well but on the whole clear. |
| D+, D | • Infrequent participation in discussion even after prompting, and has little engagement with other students’ ideas.  
• Has difficulty articulating well and on the whole unclear. |
| F | • Rarely participates in discussion and does not respond positively to prompting.  
• Has serious difficulty articulating and unclear most of the time. |

## Assessment Tasks: Writing assignment

<table>
<thead>
<tr>
<th>Grade</th>
<th>Criteria and Standards</th>
</tr>
</thead>
</table>
| A+, A, A- | • Identifies and addresses the main themes and issues clearly, including their subsidiary, embedded or implicit aspects.  
• Consistent perceptive and critical engagement with the themes and issues based on comprehensive understanding of relevant concepts and theories, with effective analysis, synthesis and application of knowledge.  
• Demonstrates a comprehensive command of existing arguments relevant to the topic, and examines the issues from all important perspectives including rival positions and counter-evidence.  
• The arguments fit together logically and build a compelling case.  
• The report has a clear structure and organization, with an introduction that states the main themes and writer’s position and a conclusion that summarizes the main arguments. Each paragraph has a central idea which is developed throughout the paragraph with supporting details.  
• The report has very few, if any, errors in grammar and vocabulary. Conventions of academic writing (e.g., citation, references, footnotes, etc) are followed meticulously.  
• Quoted materials from other sources (with proper citation) are used only to support and strengthen arguments instead of replacing the student’s own writing. |
| B+, B, B- | • Identifies and addresses the main themes and issues, but not all of the subsidiary, embedded or implicit aspects.  
• Generally perceptive and critical engagement with the themes and issues based on good understanding of relevant concepts and theories, as well as effective analysis, synthesis and application of knowledge.  
• Demonstrates a good command of existing arguments relevant to the topic, and examines the issues with regard to some important perspectives including rival positions and counter-evidence.  
• The arguments fit to form a clear own position, but some arguments are underdeveloped and some considerations overlooked.  
• The report has a clear structure and organization, with an introduction that states the main themes and the writer’s position and a conclusion that summarizes the main arguments. Some paragraphs lack a central idea or supporting details.  
• The report has some errors in grammar and vocabulary. Conventions of academic writing (e.g., citation, references, footnotes, etc) are mostly followed.  
• Quoted materials from other sources (with proper citation) are used to support and strengthen arguments, but sometimes also used to replace the student’s own writing. |
<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>C+</td>
<td>Identifies and addresses the main themes and issues, but not the subsidiary, embedded or implicit aspects. Only occasional perceptive and critical engagement with the themes and issues reflecting mostly superficial understanding of relevant concepts and theories, with some inaccurate analysis, synthesis and application of knowledge. Demonstrates insufficient command of existing arguments relevant to the topic, and not all main arguments or counter-arguments examined. Offers own position but the reasoning is sometimes impaired by weak, emotive or inconsistent argumentation. The presentation has an introduction and conclusion, but these do not fully capture the essence of the topic and discussion. Some paragraphs lack a central idea or supporting details. There are distracting language errors though the overall meaning is still intelligible. Convention of academic writing (e.g., citation, references, footnotes, etc.) sometimes improper and incomplete. Quoted materials from other sources (with proper citation) are used more to replace the student’s own writing than to support and strengthen arguments.</td>
</tr>
<tr>
<td>C, C-</td>
<td>Identifies and addresses the main themes and issues only partially. Very limited critical engagement with the themes and issues, rarely goes beyond reproduction of relevant concepts and theories, and with some inaccuracies even doing so. Demonstrates a lack of understanding of existing arguments relevant to the topic. Offers own position but the arguments are poorly made and not well supported. The topic is not properly introduced and the conclusion is very brief. Shows little ability to construct paragraphs with a central idea and supporting details. Frequent errors in simple grammar and vocabulary. Errors are distracting and the overall meaning is not easily intelligible. Convention of academic writing (e.g., citation, references, footnotes, etc.) are sometimes improper, incomplete and even lacking. Quoted materials from other sources (with proper citation) are heavily used to replace the student’s own writing.</td>
</tr>
<tr>
<td>D+, D</td>
<td>Failure to identify and address any main theme and issue. No critical engagement with any issue, little mentioning and application of relevant concepts and theories, and with inaccuracies when doing so. Demonstrates a lack of understanding of existing arguments relevant to the topic. No coherent own position and the arguments are confused and flawed. Introduction and conclusion are unclear, lack details or missing altogether. Shows little ability to organize the report into paragraphs that have a central idea and supporting details. Language errors are so frequent and distracting that the report is largely incomprehensible. Does not adhere to the conventions of academic writing (e.g., citation, references, footnotes, etc.) Quoted materials from other sources are heavily used to replace the student’s own writing, sometimes without proper citation.</td>
</tr>
<tr>
<td>F</td>
<td>Identifies and addresses the main themes and issues only partially. Very limited critical engagement with the themes and issues, rarely goes beyond reproduction of relevant concepts and theories, and with some inaccuracies even doing so. Demonstrates a lack of understanding of existing arguments relevant to the topic. Offers own position but the arguments are poorly made and not well supported. The topic is not properly introduced and the conclusion is very brief. Shows little ability to construct paragraphs with a central idea and supporting details. Frequent errors in simple grammar and vocabulary. Errors are distracting and the overall meaning is not easily intelligible. Convention of academic writing (e.g., citation, references, footnotes, etc.) are sometimes improper, incomplete and even lacking. Quoted materials from other sources (with proper citation) are heavily used to replace the student’s own writing.</td>
</tr>
<tr>
<td></td>
<td>Quoted materials from other sources (with proper citation) are heavily used to replace the student’s own writing.</td>
</tr>
<tr>
<td></td>
<td>Convention of academic writing (e.g., citation, references, footnotes, etc.) are sometimes improper, incomplete and even lacking.</td>
</tr>
<tr>
<td></td>
<td>Quoted materials from other sources are heavily used to replace the student’s own writing, sometimes without proper citation.</td>
</tr>
</tbody>
</table>
## Assessment Task: Group presentation

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
</tr>
</thead>
</table>
| **A+, A, A-** | - Identifies and addresses the main themes and issues clearly, including their subsidiary, embedded or implicit aspects.  
- Consistent perceptive and critical engagement with the themes and issues based on comprehensive understanding of relevant concepts and theories, with effective analysis, synthesis and application of knowledge.  
- Demonstrates a comprehensive command of existing arguments relevant to the topic, and examines the issues from all important perspectives including rival positions and counter-evidence.  
- The arguments fit together logically and build a compelling case.  
- The presentation has a succinct outline, structure and conclusion, with clear transition between different parts (by different presenters).  
- Presenters show full command and understanding of the presented contents (e.g., powerpoint files, if any), which are predominantly their own writing.  
- Presenters engage the audience at all times through good communication skills (e.g., eye contact, gestures and variation in tone) and adhere strictly to the set time limits. |
| **B+, B, B-** | - Identifies and addresses the main themes and issues, but not all of the subsidiary, embedded or implicit aspects.  
- Generally perceptive and critical engagement with the themes and issues based on good understanding of relevant concepts and theories, as well as effective analysis, synthesis and application of knowledge.  
- Demonstrates a good command of existing arguments relevant to the topic, and examines the issues with regard to some important perspectives including rival positions and counter-evidence.  
- The arguments fit to form a clear own position, but some arguments are underdeveloped and some considerations overlooked.  
- The presentation has a succinct outline, structure and conclusion, with clear transition between different parts (by different presenters).  
- Presenters show good command and understanding of the presented contents (e.g., powerpoint files, if any), which are mostly their own writing.  
- Presenters engage the audience through good communication skills (e.g., eye contact, gestures and variation in tone) most of the time and adhere to the set time limits. |
<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>C+</td>
<td>Identifies and addresses the main themes and issues, but not the subsidiary, embedded or implicit aspects. Only occasional perceptive and critical engagement with the themes and issues reflecting mostly superficial understanding of relevant concepts and theories, with some inaccurate analysis, synthesis and application of knowledge. Demonstrates insufficient command of existing arguments relevant to the topic, and not all main arguments or counter-arguments examined. Offers own position but the reasoning is sometimes impaired by weak, emotive or inconsistent argumentation. The presentation has an outline, structure and conclusion, but the transition between different parts (by different presenters) is not clear. Presenters show insufficient command and understanding of the presented contents (e.g., powerpoint files, if any), which are mostly not their own writing. Some presenters engage the audience relatively ineffectively and some are slightly off the set time limits.</td>
</tr>
<tr>
<td>C, C-</td>
<td>Identifies and addresses the main themes and issues only partially. Very limited critical engagement with the themes and issues, rarely goes beyond reproduction of relevant concepts and theories, and with some inaccuracies even doing so. Demonstrates a lack of understanding of existing arguments relevant to the topic. Offers own position but the arguments are poorly made and not well supported. The presentation is not well structured, and the transition between different parts (by different presenters) is not clear. Presenters show little understanding of the presented contents (e.g., powerpoint files, if any), which are mostly not their own writing. Some presenters fail to engage the audience and some are off the set time limits.</td>
</tr>
<tr>
<td>D+</td>
<td>Identifies and addresses the main themes and issues only partially. Very limited critical engagement with the themes and issues, rarely goes beyond reproduction of relevant concepts and theories, and with some inaccuracies even doing so. Demonstrates a lack of understanding of existing arguments relevant to the topic. Offers own position but the arguments are poorly made and not well supported. The presentation is not well structured, and the transition between different parts (by different presenters) is not clear. Presenters show little understanding of the presented contents (e.g., powerpoint files, if any), which are mostly not their own writing. Some presenters fail to engage the audience and some are off the set time limits.</td>
</tr>
<tr>
<td>D</td>
<td>Failure to identify and address any main theme and issue. No critical engagement with any issue, little mentioning and application of relevant concepts and theories, and with some inaccuracies when doing so. Demonstrates a lack of understanding of existing arguments relevant to the topic. No coherent own position and the arguments are confused and flawed. The presentation is not structured, and the transition between different parts (by different presenters) is illogical. Presenters show little understanding of the presented contents (e.g., powerpoint files, if any), which are not their own writing. The presenters fail to engage the audience and some are off the set time limits.</td>
</tr>
<tr>
<td>F</td>
<td>Failure to identify and address any main theme and issue. No critical engagement with any issue, little mentioning and application of relevant concepts and theories, and with some inaccuracies when doing so. Demonstrates a lack of understanding of existing arguments relevant to the topic. No coherent own position and the arguments are confused and flawed. The presentation is not structured, and the transition between different parts (by different presenters) is illogical. Presenters show little understanding of the presented contents (e.g., powerpoint files, if any), which are not their own writing. The presenters fail to engage the audience and some are off the set time limits.</td>
</tr>
</tbody>
</table>
Academic Conduct

The University Regulations on academic dishonesty will be strictly enforced. Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

a. Plagiarism - The representation of someone else’s ideas as if they are one’s own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one’s own work. Paraphrasing of someone else's ideas is still using someone else’s ideas, and must be acknowledged. For further understanding, you should take the initiative to check the University Statement on plagiarism on the web: http://www.hku.hk/plagiarism/.

b. Unauthorized Collaboration on out-of-class projects - The representation of work as solely one’s own when in fact it is the result of a joint effort.

c. Cheating on in-class tests and exams - The covert gathering of information from other students, the use of unauthorized notes, unauthorized aids, etc.

d. Unauthorized advance access to a test or exam - The representation of materials prepared at leisure, as a result of unauthorized advance access (however obtained), as if it were prepared under the rigors of the exam setting. This misrepresentation is dishonest in itself even if there are not compounding factors, such as unauthorized uses of books or notes.

Where a candidate for a degree or other award uses the work of another person or persons without due acknowledgement:

1. The relevant Board of Examiners may impose a penalty in relation to the seriousness of the offence.

2. The relevant Board of Examiners may report the candidate to the Senate, where there is prima facie evidence of an intention to deceive and where sanctions beyond those in (1) might be invoked.

End.