



Self-Study Syllabus *on the Chinese Economy*

Preface

About this syllabus.

China is the largest emerging market and by many measures it is now the largest economy in the world. Given the rapid evolution of the Chinese economy, no guide can stay current for long.

Instead, this syllabus is organized to help a new analyst develop an understanding of recent Chinese economic history, provide context for the most important economic issues, and highlight sources of good information for the future. Though several book chapters are referenced in this syllabus, we mostly include articles due to their timeliness and ease of access. We include several Chinese language sources to help analysts build their vocabulary and because

many reports are never translated into English or are translated with a long delay.

The syllabus is organized by the major topics that define the debate around China's economy. We assume that you have a basic foundation in economics and that you are somewhat familiar with current conditions in China. A common thread between these articles is that they rely on data to separate the “signal from the noise” and dispense with the ideological arguments that often dominate conversations about China.

This syllabus is designed to build understanding of the Chinese economy in a step-by-step fashion based on reading around one document a night five nights a week for four weeks. In total, the key readings add up to roughly 625 pages suggesting around 25 pages for a night.

Week One: Setting the Foundations

How did the Chinese economy get to where it is today?

Overview

The goal of this week's reading is to provide a basic familiarity with China's economic development, and put this in the context of development across Asia. Barry Naughton's article is a good place to start, examining how large a role the Chinese government still plays in shaping the economy. The report by Rosen and Bao addresses the issue of the reliability of Chinese economic statistics, tracing the evolution of China's data collection efforts over time and the limitations that still remain. The article by Wang on Deng Xiaoping gives a brief perspective on the important role Deng played in China's economic reform (for additional information you may read Chapter 11 and 12 of Schell and Delury's book in the reference section). This chapter of Lardy's latest book discusses the evolving role of the market in the Chinese economy, highlighting the emergence of the private sector as a source of growth. The 2030 report is a brief summary of where the Chinese economy is today and where it will could be going in the future. Finally, Takotoshi's article lays out the basic theories on why East Asian countries, including China, were able to achieve such high levels of economic growth. (for some additional reading on the topic of the East Asian economic development model read Joe Studwells' book in the general reference section)

2030 Report (World Bank, 2013). pp. 4-14. (10 pages).

• Joseph Stiglitz and Shahid Yusuf, **Keys to The East Asian Miracle**. (Oxford University Press, 2001) Chapter 2 "Growth, Crisis, And the Future of Economic Recovery In East Asia" Takatoshi Ito. pp. 67-103. (36 pages).

- Barry Naughton, **Is China Still Socialist?** (Journal of Economic Perspectives, 2017). jep.31.1.3 (22 pages)
- Daniel Rosen, Beibei Bao, **Broken Abacus? A More Accurate Gauge of China's Economy**. (Center for Strategic and International Studies, 2015). pp.22-65. (43 pages)
- Liao Wang. **The Four Historic Contributions**

of Deng Xiaoping (邓小平四大历史贡献) (Sina, 2014) (5 pages)

- Nicholas Lardy, **Markets Over Mao**, (Peterson Institute for International Economics, 2014). Chapter 1, pp. 11-41. (30 pages)
- **World Bank and the Development Research Center of the State Council, China, China**

Week Two: Continuing Economic Reform

How is the Chinese economy evolving?

Overview

The objective of this week is to get analysts up to speed on the important economic reforms changing the Chinese economy today. First, we will look at the evolution of the Chinese economic growth model. Second, we will look at changes to the financial system.

Changing the Economic Model:

These papers are intended to give you an overview of how and why China is changing its economic growth model. The first paper by Zhang provides a good overview of China's economic rebalancing challenge and outlines different scenarios for the economy going forward (you can also read Chapter 12 of Arthur Kroeber's book listed in the general reference for more information on this topic). The speech from Zhou Xiaochuan is a good representation of an optimistic long-run view of China's economic development from one of the most influential policymakers in the country. Next, these selected pages from the most recent China Article IV provide a good overview of the current state of the economy. Finally, the Selected Issues reading from the IMF is a great rundown of many of the most pressing economic issues facing China. Feel

free to skip the section on corporate debt because it will be covered in the next section.

- Longmei Zhang, *Rebalancing in China—Progress and Prospects* (International Monetary Fund, 2016). (22 pages)
- Zhou Xiaochuan. *China's Economic Opening: From Manufacturing to Services* (中国经济的对外开放：从制造业扩展到服务业——周小川行长在2017陆家嘴论坛上的主旨演讲) (People's Bank of China, 2017). (4 pages)
- *People's Republic of China: Staff Report for the 2017 Article IV Consultation* (International Monetary Fund, 2017). pp. 8-19. (11 pages)
- *People's Republic of China: Selected Issues* (International Monetary Fund, 2017). pp. 4-23, 41-75. (53 pages)

Reforming the Financial System:

The reports below are a good dive into the state of financial reform in China and the challenges associated with shadow banking. The first paper is a good refresher for those trying to get up to speed on the history of financial reform in China. Borst and Lardy trace the evolution of China's financial system away from a traditional bank-dominated and state-directed financial system toward a more complex, market-based system. The second paper by Li is a great overview of the issue of shadow banking. The paper highlights the way the shadow banking system has evolved in recent years and where many of the potential risks lay. The third paper is written by a team of IMF economists and gives an overview of China's current debt situation and the possible avenues for dealing with it. Finally, the speech by Zhou Xiaochuan highlights the new focus on financial risks by Chinese regulators as well as the financial reform priorities after the 19th Party Congress.

- Nicholas Borst and Nicholas Lardy. *Maintaining Financial Stability in the People's Republic of China during Financial Liberalization* (Peterson Institute for International Economics, 2015). (28 pages)

- Cindy Li. **The Changing Face of Shadow Banking in China** (Federal Reserve Bank of San Francisco, 2016). (8 pages)
- Wojciech Maliszewski, et al. **Resolving China's Corporate Debt Problem** (International Monetary Fund, 2016). (43 pages)
- Zhou Xiaochuan. **Maintaining a Bottom Line Without Financial Risk (守住不发生系统性金融风险的底线)** (People's Bank of China, 2017). (5 pages)

Week Three: Economic Decision Making

How do Chinese policymakers change the economy?

Overview

The objective of this week is to provide analysts with a foundation for understanding the process of economic decision making in China. The first report by Goodman and Parker is a survey of the economic decision-making apparatus in China. This report outlines the key players in formulating economic policy, highlights some of the bureaucratic struggles which hinder policy implementation and tries to assess how all of this might evolve during the Xi Jinping administration. Within the Goodman and Parker report are links to a plethora of useful additional readings on economic reform. The Third Plenum Communique is an official document that serves as the defining roadmap for the current government's reform agenda. Justin Lin's article is a good representation of the Party's view on why it needs to play a strong role in guiding development and how China can continue to grow rapidly despite growing challenges. Kennedy and Johnson give a great overview of the process of formulating five year plans and how the current plan differs from previous versions. The article on the 19th party congress provides a more detailed explanation of the CCP's long-term goal of becoming a modern economy by 2050. Yang's article on the "two steps" is a call back to the "three steps" of economic development outlined by Deng Xiaoping. Yang argues that the CCP has already completed the first stage.

- Matthew Goodman and David Parker, *Navigating Choppy Waters: China's Economic Decision Making at a Time of Transition* (Center for Strategic and International Studies, 2015). pp 25-39. (14 Pages)
- Third Plenum Communique (中共中央关

- 于全面深化改革若干重大问题的决定) (State Council, 2013). (Sections 2-26). (23 pages)
- Justin Lin, "China Can Escape the Middle Income Trap" (中国可以摆脱中等收入陷阱) (China Economic Net, 2012). (6 pages)
- Central Economic Work Conference, Remarks by Xi Jinping and Li Keqiang (中央

- 经济工作会议在北京举行 习近平李克强作重要讲话) (People's Daily, 2016). (8 pages)
- Scott Kennedy and Christopher Johnson. *Perfecting China Inc.: The 13th Five Year Plan* (Center for Strategic and International Studies, 2016). pp 1-49. (48 pages)
- Yang Weimin. *The 19th Party Congress Clearly States the "Two Step" Strategy to Become a Modern Socialist Economy* (十九大明确全面建设社会主义现代化国家及其 "两步走" 战略安排) (People's Daily, 2017). (3 pages)

Week Four: China and the World Economy

How does the Chinese economy impact the global economy?

Overview

The objective this week is to help analysts understand the relationship between the Chinese economy and the world economy. First we will look at the U.S-China economic relationship. Second we will analyze how China impacts the global economy.

US-China Relations:

These papers will help you familiarize yourself with US-China economic relations. The first report is an update on China's new currency management regime since 2015. The renminbi is still not a free-floating currency, but important progress has been made towards a more flexible exchange rate. The second report by Wayne Morrison of the Congressional Research Service outlines the key issues affecting the U.S-China trade and investment relationship from the U.S. perspective. The third paper by Autor, Dorn, Hanson touches on the critical issue of job losses stemming from trade with China. Work by these authors has been critical in highlighting the costs of trade with China on certain groups of American workers. The final article contains remarks by Xi Jinping

regarding China's priorities in the US-China economic relationship.

- John Clark, *China's Evolving Managed Float: An Exploration of the Roles of the Fix and Broad Dollar Movements in Explaining Daily Exchange Rate Changes* (Federal Reserve Bank of New York, 2017). (25 pages)
- Wayne M. Morrison, *China-U.S. Trade Issues* (Congressional Research Service, 2017). (59 pages).
- David H. Autor, David Dorn, Gordon H. Hanson, *The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade* (National Bureau of Economic Research, 2016). (38 pages).
- Xi Jinping, *Actively Promote US-China Bilateral Trade and Investment* (习近平：积极推动中美双边贸易和投资便利化) (China Daily, 2015). (3 pages)

Global Economic Influence:

These four papers will help you understand the impact of China's economic rise on the global economy. The first paper discusses the global impacts of China's economic slowdown and how shifts in the country's economic model could have a disproportionate impact on certain countries around the world. The second article is the "One Belt, One Road" plan put forward by the Chinese government. The plan is the key foreign policy initiative of the Xi Jinping Administration and it will have a significant influence on global foreign direct investment and trade flows. The article by the Atlantic's Anja Manuel provides analysis on implications of One Belt and One Road for the rest of the world. The final article by David Dollar examines China's growing role in development finance and whether the country is adhering to international norms for foreign aid.

- Allan Dizioli, Benjamin Hunt, Wojciech Maliszewski, *Spillovers from the Maturing of China's Economy* (International Monetary Fund, 2016). (33 pages)
- National Development and Reform Commission, *Vision and proposed actions outlined on jointly building Silk Road*

Economic Belt and 21st-Century Maritime Silk Road (推动共建丝绸之路经济带和21世纪海上丝绸之路的愿景与行动) (People's Daily, 2015). (9 pages)

• Anja Manuel. *China Is Quietly Reshaping the World*. (The Atlantic, 2017). (5 pages)

• David Dollar, *Is China's Development Finance a Challenge to the International Order?* (Brookings Institution, 2017). (29 pages)

The Next Steps: Keeping Up and Moving Forward

Moving Beyond Familiarity toward Expertise

Overview

For those who wish to go beyond this syllabus to develop one's expertise on Chinese Economic Affairs:

Routine Readings:

The sources below are a few ways to keep up with developments in the Chinese Economy:

- **IMF Article IV Report.** The Article IV documents are produced annually by the IMF staff. They provide an overview of key economic issues in China and also highlight the findings of recent IMF research on China. Pay careful attention to the special topics covered in these reports because they correspond to the issues IMF staff are most concerned about.
- **China Leadership Monitor.** Quarterly articles on Chinese politics by Stanford's Hoover Institute. Barry Naughton frequently writes on the political economy of economic reform.
- **Quarterly Monetary Policy Report of the People's Bank of China** (季度中国货币政策执行报告). Within a month of the end of each quarter the People's Bank of China publishes

a quarterly report on monetary policy in China. The report covers key issues in the macro economy as well as exchange rate and monetary policy concerns.

- **China Financial Stability Report (中国金融稳定报告)** An annual report put out by the People's Bank of China that provides a useful summary of what policymakers view as the major financial risks within the economy and an overview of general financial and economic conditions.
- **China International Balance of Payments Report (中国国际收支报告)** The State Administration of Foreign Exchange (SAFE) in charge of currency and cross-border monetary flows releases two reports a year discussing issues such as balance of payment, foreign exchange reserves, and international investment position. As with the quarterly monetary policy report you may look to specific exhibits discussing topics of interest.
- **Renminbi Internationalization Annual Report**

(人民币国际化报告) The People's Bank of China releases an annual report outlining the progress of the renminbi in becoming an international currency. The report is a good source for statistics on this topic as well as overviews of initiatives to promote the overseas use of the currency.

- **US-China Economic and Security Review Commission Annual Report to Congress** the U.S. China Economic and Security Commission writes an annual report to congress discussing developments in China of interest to U.S. policymakers such as bilateral trade and investment, and currency reform.
- **IMF Financial Sector Assessment Program (FSAP).** An excellent review of China's financial regulatory system and how it compares to international best practices. The report is produced on a 5-year cycle and the most recent report was completed in 2017.

General Reference Books:

- Barry Naughton, *The Chinese Economy: Transitions and Growth* (MIT Press, Massachusetts, 2006).
- Nicholas Lardy, *Sustaining China's Economic Growth After the Global Financial Crisis* (Peterson Institute for International Economics, Washington D.C, 2012).
- Nicholas Lardy, *Markets Over Mao*

(Peterson Institute for International Economics, Washington D.C, 2014).

- Loren Brandt and Thomas Rawski, China's Great Economic Transformation (Cambridge University Press, 2008).
- Thomas Orlik, Understanding China's Economic Indicators: Translating the Data into Investment Opportunities 1st Edition (FT Press, 2011).
- Arthur Kroeber, China's Economy: What Everyone Needs to Know. (Oxford University Press 2016)
- Joe Studwell, How Asia Works: Success and Failure in the World's Most Dynamic Region. (Grove Press 2013).
- Orville Schell and John Delury, Wealth and Power: China's Long March to the Twentieth Century. pp. 259-352. (93 pages)

Appendix: Key Chinese Language Terms and Phrases

中文

比较优势
补贴
财政赤字
产业结构
产业升级
城镇化
单轨制
低碳技术
电子商务
调控能力
发达国家
发展绩效
纺织工业
附加价值
负面清单
服务业
高储蓄
高投资
供求矛盾
供销社
供需矛盾
工业革命
工业化
固定资产投资
规模经济
国际化
国家统计局
国务院
国有粮店
国有民营
国有企业

拼音

bǐ jiào yōu shì
bǔ tiē
cái zhèng chì zì
chǎn yè jié gòu
chǎn yè shēng jí
chéng zhèn huà
dān guǐ zhì
dī tàn jì shù
diàn zǐ shāng wù
diào kòng néng lì
fā dá guó jiā
fā zhǎn jì xiào
fǎng zhī gōng yè
fù jiā jià zhí
fù miàn qīng dān
fú wù yè
gāo chǔ xù
gāo tóu zī
gòng qiú máo dùn
gòng xiāo shè
gòng xū máo dùn
gōng yè gé mìng
gōng yè huà
gù dīng zī chǎn tóu zī
guī mó jīng jì
guó jì huà
guó jiā tǒng jì jú
guó wù yuàn
guó yǒu liáng diàn
guó yǒu mín yíng
guó yǒu qǐ yè

英文

comparative advantage
subsidy
fiscal deficit
industrial structure
industrial upgrade
urbanization
single-track system
low-carbon technology
e-commerce
control capacity
developed countries
development performance
textile industry
value added
negative list
service industry
high savings
high investment
supply-demand imbalance
supply and marketing cooperative
supply demand imbalance
industrial revolution
industrialization
fixed asset investment
economies of scale
internationalization
National Bureau of Statistics
State Council
state-owned food store
state-owned, private-run
state-owned enterprise

中文

行政命令
宏观经济
华盛顿共识
环比
灰色收入
计划经济
基尼系数
技术创新
绩效评价
价格信号体系
结构主义
金融危机
净出口
净进口
境外投资
开放经济
库存
劳动力可用资本
利率市场化
利润
民间资本
民营经济
内需
扭曲
农业部门
诺贝尔经济学奖
人均收入
三角债
三资企业
上市公司
生产要素

拼音

háng zhèng mìng lìng
hóng guān jīng jì
huá shèng dùn gòng shí
huán bǐ
huī sè shōu rù
jì huá jīng jì
jī ní xì shù
jì shù chuàng xīn
jì xiào píng jià
jià gé xìn hào tǐ xì
jié gòu zhǔ yì
jīn róng wéi jī
jìng chū kǒu
jìng jìn kǒu
jìng wài tóu zī
kāi fàng jīng jì
kù cún
láo dòng lì kě yòng zī běn
lǐ lǜ shì chǎng huà
lì rùn
mín jiān zī běn
mín yíng jīng jì
nèi xū
niǔ qū
nóng yè bù mén
nuò bèi ěr jīng jì xué jiǎng
rén jūn shōu rù
sān jiǎo zhài
sān zī qī yè
shàng shì gōng sī
shēng chǎn yào sù

英文

executive order
macroeconomy
Washington Consensus
comparing with last month
gray income
planned economy
Gini coefficient
technological innovation
performance evaluation
price signal system
structuralism
financial crisis
net export
net import
outbound foreign direct investment
open economy
inventory
capital available for labor
interest rate marketization
profit
private capital
private sector
domestic demand
distortion
agriculture sector
Nobel prize for economics
per capita income
chain debt
three kinds of foreign-funded enterprises
publicly trade company
production factor

中文

生物能源
 市场化
 市场经济
 市场准入
 世界银行
 失业保险
 收入分配
 收支平衡
 双轨制
 通货膨胀
 投资回报率
 外汇储备
 外资企业
 微观经济
 温室气体
 现代服务业部门
 小康社会
 新结构经济学
 信息化
 新自由主义
 休克疗法
 寻租
 养老保险
 要素禀赋结构
 医疗保险
 因势利导
 原材料
 增长与发展委员会
 债券市场
 战略性新兴产业
 政府采购

拼音

shēng wù néng yuán
 shì chǎng huà
 shì chǎng jīng jì
 shì chǎng zhǔn rù
 shì jiè yín háng
 shī yè bǎo xiǎn
 shōu rù fèn pèi
 shōu zhī píng héng
 shuāng guǐ zhì
 tōng huò péng zhàng
 tóu zī huí bào lǜ
 wài huì chǔ bèi
 wài zī qǐ yè
 wēi guān jīng jì
 wēn shì qì tǐ
 xiàn dài fú wù yè bù mén
 xiǎo kāng shè huì
 xīn jié gòu jīng jì xué
 xìn xī huà
 xīn zì yóu zhǔ yì
 xiū kè liáo fǎ
 xún zū
 yǎng lǎo bǎo xiǎn
 yào sù bǐng fù jié gòu
 yī liáo bǎo xiǎn
 yīn shì lì dǎo
 yuán cái liào
 zēng zhǎng yǔ fā zhǎn wěi yuán huì
 zhài quàn shì chǎng
 zhàn lüè xìng xīn xìng chǎn yè
 zhèng fǔ cǎi gòu

英文

bioenergy
 marketization
 market economy
 market entry
 World Bank
 unemployment insurance
 income distribution
 balance of payment
 dual-track system
 inflation
 return on investment
 foreign reserve
 foreign enterprise
 microeconomy
 greenhouse gas
 modern service sector
 moderately well-off society
 new structural economics
 informatization
 neo-liberalism
 shock therapy
 rent-seeking
 endowment insurance
 factor endowment structure
 health insurance
 to facilitate
 raw material
 Commission on Growth and Development
 bond market
 strategic emerging industry
 government procurement

中文

知识产权保护制度
制造业部门
中等收入陷阱
中小企业
专利保护
专利制度
资本密集

拼音

zhī shí chǎn quán bǎo hù zhì dù
zhì zào yè bù mén
zhōng děng shōu rù xiàn jǐng
zhōng xiǎo qǐ yè
zhuān lì bǎo hù
zhuān lì zhì dù
zī běn mì jí

英文

intellectual property right protection system
manufacturing sector
middle income trap
small and medium size companies
patent protection
patent system
capital intensive