

China in the Global Economy Danyang Xie

Syllabus

Danyang Xie, 20 January 2017 (created 31 January 2016)

no tags

Course Website: <http://econ5120.tiddlyspot.com>

Objectives

This course provides an understanding of China's macroeconomic accounts, develops your ability to anticipate China's macroeconomic adjustment. Special attention is devoted to the fact that China is increasingly more integrated with the rest of the world. You will have a good grasp of macroeconomic topics including the determinants of growth, business cycles, fiscal and monetary policy, exchange rate issues, financial crises, current account sustainability, and capital flows. Frequent cross-country comparisons will enable you to acquire an international perspective.

Textbook

Given the rapid changes occurring in China, any book on China, even if published most recently, quickly becomes obsolete. Students are strongly recommended to study reports on China from the central bank, international organizations, and the investment banks. For those students who have no background on Macroeconomics, please consult the Brief Note on Basic Macro Concepts.

Grading

Class Discussion: 20%. Group Blogs: 40%. Final Exam (March 21, 2017, closed-book except one A4-size page double-sided notes): 40%.

Warning: Electronic device is prohibited during class time.

An Overview

An overview of this course

Readings:

- **Breaking the Oil Spell** in 2017 January 19, 2017
- **Trump's Gathering Trade War** December 26, 2016
- **Italy on the Brink** December 6, 2016
- **The Great Policy Divergence** December 2, 2015

Global Imbalance

Key concepts: current account, capital account, savings glut

Readings

- **US needs to get its own economic house in order** (Xie, Danyang, China Daily, March 28, 2006).

China's financial liberalization

- [China's financial liberalization: new challenges and opportunities](#) Banking Watch China, 2014.

Monetary Policy in Action

Key concepts: Direct and Indirect monetary policy instruments, Central Bank independence

Readings:

- [Monetary Policy Report of ~PBoC. Q2, 2016. English Version](#)

Fiscal Account Analysis and Fiscal Policy

Key concepts: Ponzi game, fiscal sustainability, automatic stabilizer.

Readings:

- [China's Fiscal Position and Policy: Current Status of Local Government Debt Problems and Challenges](#), Ministry of Finance, Japan, 2015.
- [China Fiscal Revenue 2014](#)

Macroeconomic Adjustment

Key concepts: Impossible Trinity, Capital flows and Sterilization, Yield Curve.

Readings:

- [The Impossible Trinity](#), Stephen Grenville, November 2011. Based on an ADB Working Paper.
- [China: Two Distinct Diagnoses of the Current Macroeconomic Situation](#), Bank of America, September 2006.

Determinants of Economic Growth

Key concepts: Human capital, Growth Accounting, Total Factor Productivity.

Readings:

- [Does openness generate growth? Reconciling the experiences of Mexico and China](#), Timothy Kehoe and Kim Ruhl, November 2011
- [Xavier ~Sala-i-Martin, "I just Ran 4 Million Regressions", 1997.](#)

International Trade and Capital Flows.

Key concepts: Comparative Advantage, Harberger Triangle, FDI and portfolio investment, Tobin Tax, WTO accession.

Readings:

- [The Capital Flow Conundrum](#), Uri Dadush and Bennett Stancil, July 2011

Country Analysis and Business Strategies in Riding the Waves

- [Country Profiles](#)
- [Data Sources](#)

Structural Reforms and the Global Positioning of the Chinese Economy

- [China is still number two](#) May 5, 2014

Final Exam: Bring your calculator.

Group Blogs

Danyang Xie, 28 December 2016 (created 31 January 2016)

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1. 6 groups will be formed before the second week. 8 students/Group is the standard. A couple of groups may have 9 students (please seek my permission first).
2. Each group should create a [wordpress blog account](#), use an ID that is easy to remember.
3. Send me the link to your blog.
4. On your blog page, upload a group photo and list the FULL name of the members of the group, from the left to the right.
5. Group blogs start AFTER the first lecture. The blogs have to be updated by noon-Monday. So the first blog is due noon, Monday, Feb 13th.
6. Select your topic that is related to current event, write about the impact of the event, on the World/China. One blog per week per group.
7. Topics blogged may be discussed in the classroom.
8. Blogs stop after the 6th lecture. Namely, each group needs to write a total of 5 blogs for the course. The last (5th) blog is due noon, Monday, March 13.
9. Each group will be evaluated by the quality of their blogs and the related discussions in the classroom.