China in the Global Economy  

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

Course Website: [http://econ5120.tiddlyspot.com](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
Monetary Policy in Action
Key concepts: Direct and Indirect monetary policy instruments, Central Bank independence
Readings:

Fiscal Account Analysis and Fiscal Policy
Key concepts: Ponzi game, fiscal sustainability, automatic stabilizer.
Readings:
- China Fiscal Revenue 2014

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

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

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)

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.