Syllabus  
China's Economic Reform and Policies  
PUBPOL 751002F14

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Course Description:

Chinese economy has gained remarkable growth since 1978 when it embarked on economic reforms and opening up policies initiated by Mr. Deng Xiao-ping, and China has overtaken Japan as the world's second-largest economy since 2010. Due to its size, dynamic growth, and continuing reform policies, China has clearly become a major participant in the world economy. Students outside China are thus advised to understand what has happened to China’s internal and external economic development in the last three decades.

This course aims to provide students with a general picture of Chinese economic reforms, opening up, and development since the end of 1970s, and to introduce students to a better understanding of many of the elements of China’s emergence and its potential role in the world economy. The institutional reforms in various sectors and the gradual open-up of the economy will be analyzed in detail. After taking this subject, the students are expected to understand why China was successful in maintaining a high economic growth in the past three decades and what challenges it will be facing in the future.

This course is structured as follows. At first it provides an overview of Chinese economic system and economic development from the viewpoint of history and international comparison. Secondly, it will introduce China’s reform of public finance system and analyze fiscal relation between central government and local governments since 1978.
Thirdly it will emphasize understanding the transformation of China’s financial system and the significance of financial market events, focusing on the reform of RMB exchange rate and interest rate liberalization. In the end, the course will introduce China’s process of foreign trade system reform, describe the performance of foreign direct investment (FDI) and China’s oversea investment. See the detailed course structure in the following.

**Course Structure:**

1. **Overview of China’s Economic System and Economic Development**

   1.1 China’s Economy Prior to Reforms
   1.2 The Introduction of Economic Reforms
   1.3 China’s Economic Growth since Reforms: 1979-2012
   1.4 The Challenges of Economic Development in the Future

**Recommended readings:**


2. **The Progress of Economic Reform in China**

   2.1 The socialist planned economy from 1952-1978
   2.2 The process and strategy of economic reform
   2.3 The economic reform in the rural areas
   2.4 The Economic reform in the urban areas and the development of no-state-owned economy

**Recommended readings:**


3. China’s Reform of fiscal relation between central and local governments

2.1 A brief introduction of background
2.2 The Reform and change of the Fiscal Relation between central and local
2.3 Current issues and challenges

Recommended readings:


4. Transformation of Financial System in China

3.1 China’s Financial Sector before the economic reform in 1978
3.2 The three stages of the financial sector reform in China
3.3 The current structure of the Chinese financial sector
3.4 Challenges in China's banking system reform at next stage

Recommended readings:

5. Financial Market Development in China

5.1 Function of financial markets
5.2 China’s money markets
   5.2.1 China’s interbank lending and borrowing market
   5.2.2 China’s bond repurchase market
   5.2.3 China’s interbank bond market
   5.2.4 China’s bill market
   5.2.5 China’s inter-bank foreign exchange market and RMB exchange rate system reform
5.3 China’s capital market
   5.3.1 An overview of China’s capital market
   5.3.2 China’s stock market
   5.3.3 China’s bond market

Recommended readings:
Mehran, H., M. Quintyn, T. Nordman and B. Laurens (1996), Monetary and Exchange System Reforms in China: an Experiment in Gradualism, IMF.


6. China’s Central Banking and Monetary Policy

6.1 Function of The Central Bank
6.2 Central Bank Independence
6.3 The change of roles and structure of PBC
6.4 Conducting Monetary Policy in China

Recommended readings:

Chandavarkar, A. (1996), Central Banking in Developing Countries, Macmillan Press Ltd..


7. China’s economy in the world (Optional)

7.1 The Process of Foreign Trade System Reform and Current Policy Issue
7.2 Foreign Direct Investment (FDI) and Market Openness
7.3 Chinese Oversea Investment
8. China’s Macro-economic Policies addressing the Global Financial Crisis since 2008 (Optional)

8.1 The macro-economic trends of China since 2008
8.2 Main macro-economic policies in recent years
8.3 Current issues and challenges

Recommended readings:


Useful Online Resources:
Organization of the Course:

----Review the reading materials

-----Lectures

-----In-class discussion

Paper Requirements and Grades:

One 8-page student paper concerning a specific economic policy issue in China or other economy they are familiar with or interested in. When the economic policy in the paper is concerned about other country, it is suggested that the paper make some comments on what the difference or similarity this economic policy has with that of in China. The due time is Dec.15.