Course Description

Understanding China has become a necessity for understanding and navigating in the World. Any analysis or planning effort, whether in economics, politics, or business, is becoming increasingly incomplete without taking China into consideration.

This course aims to provide the students with an understanding of China, in its cultural, organizational, institutional, political, social, economic, and business aspects.

The course is designed to build student’s understanding of China first by class-work in Turkey, then through lectures, company visits, exploration of sites of cultural importance, and exposure to life in China.

Grading:

Class participation: 20%
Final: 40%
Putting knowledge into use (demonstrated in the trip): 20%
Trip report 20%

Reading Material:

The main text book for the course is:
The Chinese Economy: transitions and growth,
This book will be available at the book store.

The other book that will be used for topics in politics and recent history is:
China’s Political System (8th Edition)
June Teufel Dreyer, Longman, 2011
Several copies of this book will be available at the Library Reserve.

Audiovisual Material:

Young and restless in China, WBGH Educational Foundation 2008
China in revolution 1911 – 1949, WBGH Educational Foundation 1989
The Mao Years 1949 – 1976, WBGH Educational Foundation 1994
China from the Inside, Episode 1: Power and People, Artwork PBS, 2006
CHINA: Economics, Culture, and Business

Topics by Unit

1- China today: Land, Language and the People

An overview of the modern Chinese economy; motivation for studying China; Geographic determinants of population distribution and economic activity; economic geography of China; the language and the writing system; the impact of the pictorial writing system on cross-cultural communications; life in China today.

2- Historical foundations

The history of Imperial China; the government structure, the bureaucracy system; the civil service examination system; the role of the state in the economy; the historical foundations of Chinese culture; historical relationships of individual-family-state, and their legacies for today.

3- Resource allocation and Incentives in a planned economy: Maoist China

The concept and workings of a planned economy; the problems with the planning system and attempts to remedy before the reform period; the performance of the Chinese economy under the plan; Great Leap Forward and the Cultural Revolution periods and their legacies for the Market Reform period.

4- Chinese Politics: Political Structure, Institutions and Processes

The workings of the Chinese Political System: The administrative system; organizations of the Party and Government; governance processes and mechanisms; the bureaucracy system; decision makers and decision making processes; factions and internal politics in China, and their impact on policy making processes.

5- Transition to markets: The logic of economic reforms in China

Resource allocation and incentive problems under the plan; the early introduction of markets and their impact on efficiency, level and composition of production; “The Dual Track” approach to accommodating both markets and plans; liberalizing the foreign trade system-“opening-up”; Special Economic Zones; “Township and Village enterprises”. Second phase of reforms: Building market institutions and practices; entry into WTO, restructuring the State Sector.

General concepts: Resource allocation in an economy; comparing allocation through plan and markets; the role of prices in the allocation process; incentive aspects of plan based and market based economic systems.

6- Corporate Governance and Role of the State in Chinese Economy

Chinese State as the “principle”; problems with running State Owned Enterprises; the evolution of the governance system in the state sector; the downsizing and restructuring process; the role of the state and the state sector in the Chinese economy today.

General Concepts: Corporate Governance; the Principle-Agent problem; Anglo-Saxon and Continental approaches to Corporate Governance.
7- **Population and Social Problems**

**General Concepts:** Dynamics of population change; birth-death-growth rates; fertility measures; dependency ratio; “demographic dividend; income and wealth distribution; the Gini coefficient.

8- **Macroeconomics- Structure and Policy**

Chinese growth performance in the reform era; forecasting future growth; Chinese economy in international perspective; the change in the composition of the GDP over time; growth of the manufacturing sector; growth and savings rate; growth and productivity; explaining the high savings rate; inflation over time; employment-level and composition; fiscal policy and tools; problems with Chinese fiscal policy.  
**General Concepts:** Gross Domestic Product; income and expenditure approaches; the savings identity, growth rate; simple Harrod-Domar model; importance of savings and investment rates; purchasing power parity; composition of GDP: primary-secondary-tertiary sectors; economic growth and the services sector; fiscal policy and tools.

9- **Financial System, Markets, and Policy**

The sources and uses of finance in the Chinese economy; the banking system and its problems; banking reforms and rehabilitation measures; the stock market: organization, functioning, performance and problems; capital controls and foreign portfolio investment restrictions; Chinese monetary tools and policies.  
**General Concepts:** Sources of finance; internal and external finance; stock markets-functioning and role in the economy; IPOs; bond markets; banking system, its role in the economy; non-performing loans; capital adequacy; asset management companies; monetary policy and tools.

10- **International Trade and Investment**

Liberalization of foreign trade and investment in China; export processing and normal trade; the role of foreign companies; imports, exports, and external balance over time; composition of the growing Current Account surplus; domestic value added of Chinese exports; Chinese exports and International Production Networks; sources, destinations, importance and environment of Foreign Direct Investment in China.  
**General Concepts:** Exports, imports, external balance, and exchange rates; Balance of Trade and Payments; Current Account Balance; Comparative Advantage; Vertical Specialization; International Production Networks; Foreign Direct and Portfolio Investment; exchange rate regimes and policy; current account and capital account convertibility.
11- China and the World Economy-Rebalancing China

China and the current global crisis; Chinese Current Account imbalances-exchange rate policy-savings rates; sources of the Chinese Official Reserve buildup; exchange rate policy-monetary policy-inflation and reserve build up; RMB as an International Reserve Currency: Potential and plans; The limits to export and investment led growth; rebalancing alternatives for Chinese economy and their consequences.

General Concepts: Causes of Current Account Imbalances; Savings and the Current Account Imbalances; Exchange Rates and the Current Account Imbalances; Savings Identity and Current Account Balance; Measures of export dependency; Capital Account; Official Reserves; Sources of Reserve Changes; Capital Controls; International reserve Currencies

12- Industry and Technology in China

Human and financial resource inputs into Knowledge Production in China and the world; Patents and academic output indicators for China and the World; State Organization, programs, and policies for managing technology; Industrial Policies for Technology Upgrade; Industry Examples: Steel, Auto, Semiconductor Industries

General Concepts: Science vs. Technology; Invention vs. Innovation; Basic-Applied Research; Inputs and Outputs of an Innovation System; Technology Policies; Industrial Policies,

13- China’s Domestic Market

Geography and demographics of domestic demand in China; Evolution of the distribution system; Regulations concerning foreign investment and participation in the retail industry; Interaction of foreign and domestic companies in the Chinese market.

14- Case Study

Class discussion, based on a case chosen by the class, aiming to highlight country specific considerations in doing business in China. Candidate industries: Retailing, Fast Food, Internet based services…

15- Company and Location Briefs

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Student presentations and class discussion on companies; related industries; and places that will be visited on the trip.