Course Objectives: While the US-China trade tensions create uncertainty for business around the world, it also has revealed the strong inter-dependence between firms in these countries. No business or government can ignore China today. The People’s Republic of China is the second largest economy in the world and on course to become the largest one within a generation. China represents both huge opportunities for businesses and public policies but also a set of tough challenges. This course is designed to provide a framework for understanding these issues. As several other emerging market economies hope to follow China’s footsteps, the conceptual framework in the course should help one to better appreciate risks and rewards in these economies as well.

In this course, we will discuss what motivates the Chinese as savers, consumers, workers, and entrepreneurs. We will explore both the people factor and the government factor underlying China’s growth story. We will not be satisfied with simply repeating the conventional wisdoms, but will probe deeper than what we often read or hear. We will also combine conceptual knowledge with practical insight by inviting distinguished speakers with rich business or government experience to share their perspectives.

Course Features: Students will get more out of the class by being engaged both inside and outside the classroom. Students are expected to do assigned readings ahead of each class and to prepare for the
possibility of cold calling. Students will have opportunities to work on projects related to investment opportunities, business negotiations, and economic policy analysis.

**Expectations:**
- Class participation is mandatory - you should not schedule job interviews, family visits, or other events that will conflict with the class schedule. There is a 5-points reduction for each class missed. If you have to schedule an event, please do so during the two weeks in the seminar when this class does not meet.
- You should do assigned readings ahead of each session.
- Laptops, smart phones and other electronic gadgets should not be used in the class unless expressly permitted by the instructor.

**Deliverables and Grading:**

**4 quizzes + 1 report**

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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<tbody>
<tr>
<td>Class attendance and participation</td>
<td>30</td>
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<tr>
<td>Four quizzes</td>
<td>60</td>
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<tr>
<td>Research Report</td>
<td>30</td>
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*Maximum points in the class* 120 points

**Textbook and other readings:**


Additional reading materials are posted on the course website.

Supplemental readings:

*AI Superpowers: China, Silicon Valley, and the New World Order* by Kai-Fu Lee, Houghton Mifflin Harcourt, 2018


<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Notes</th>
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<tbody>
<tr>
<td>September 9, 2019</td>
<td>Economic Evolutions and Styles of Reforms</td>
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<tr>
<td>September 16</td>
<td>The People Factor</td>
<td><strong>Handing out sample quiz questions including a think piece on sex ratio</strong></td>
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<tr>
<td>September 23</td>
<td>The Government Factor + corruption controls</td>
<td><strong>Quiz #1 (on the first two lectures)</strong></td>
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<td>September 30</td>
<td>Firms (can the firms innovate? Role of domestic private sectors firms, SOEs, and foreign firms)</td>
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<td>October 7</td>
<td>Culture (negotiation)</td>
<td><strong>Sample quiz questions</strong></td>
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<td>October 14</td>
<td>Energy and environment (guest speaker: David Sandalow)</td>
<td><strong>Quiz #2 (on lectures 3-5) – 60 minutes</strong></td>
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<tr>
<td>October 21</td>
<td>No class (Mid-term Exam Week for CBS)</td>
<td><strong>Students are encouraged to discuss research reports</strong></td>
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<td>October 28</td>
<td>Finance (Basics + New finance such as Ant Financial)</td>
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<td>November 4</td>
<td>No class at CBS</td>
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<td>November 11</td>
<td>Style of Financial Regulation (Tobin Tax), Equity Market, Debt</td>
<td><strong>Sample quiz questions</strong></td>
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<tr>
<td>November 18</td>
<td>Chinese Housing Market + guest speaker (CICC + BoC)</td>
<td><strong>Quiz #3 (on lectures 6-8)</strong></td>
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<td>November 25</td>
<td>US-China Trade Relations (effects on jobs + bilateral balance)</td>
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<td>December 2</td>
<td>Two-way Investment (Alex Hao) + WTO negotiation</td>
<td><strong>Sample quiz questions</strong></td>
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<tr>
<td>December 9</td>
<td>The Future</td>
<td><strong>Quiz #4 (on lectures 9-11)</strong></td>
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<tr>
<td>December 16</td>
<td>The final report due via dropbox on the course website by 9 pm (no class meeting)</td>
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**Additional Event**

Columbia University N.T. Wang Lecture on the Chinese economy
Detailed Course Plan and Assigned Readings

** To be re-arranged according to the new list of topics on the previous page

Session #1 The Change of Economic Models

Readings:
- Naughton, Chapters 3-4
- “How to get a date: The year when the Chinese economy will truly eclipse America’s is in sight,” Economist, December 31, 2011

Session #2 The People

Readings:
- Naughton, Chapters 7-8;
- (Optional) Tom Doctoroff, What Chinese Want: Culture, Communism and the Modern Chinese Consumer, 2012, Chapters 1-3

Session #3 The Government

Report #1 due at the beginning of the class

Readings:
- Naughton, Chapters 13 and 18
  - (Chapters 1-3 and 7 give you useful insight into how the government regulates the economy, the business world, and the society.)

Session #4   Firms

Readings:
• Naughton, Chapters 12;

Session #5   Finance

Reading:
• Naughton, Chapter 19, Sections 19.1-19.3
• “The IPO of Industrial and Commercial Bank of China and the “Chinese Model” of Privatizing Large Financial Institutions,” Franklin Allen, Jun QJ Qian, Susan Shan, and Mengxin Zhao

Session #6   Guest Speakers + RMB Internationalization

Readings:
• “Congress, China, and Currency Manipulation,” Jeffrey Frankel, in China & US Focus, April 2015
Session #7  Chinese Housing Market + Hong Kong’s Role in China

Guest speaker: Hanming Fang

Reading:

- Research Report #2 due at the beginning of the class

Session #8  International Investors: Opportunities and Challenges

Readings:
- Naughton, Chapter 17
- “The Danone-Wahaha business dispute: Who Has the Last Laugh?” by Zhigang Tao, Jiangyong Lu, and Shang-Jin Wei, University of Hong Kong Asia Case Center, case number to be assigned.
- Foxconn vs BYD (A): Commercial Espionage or Learning by Hiring?

Session #9  Culture

This session features a role-playing negotiation exercise

Readings:
- “Negotiation in China: How Universal?” This is a negotiation simulation exercise that involves role playing. An introduction to the case and negotiations in China is in the reading packet. Instructions for individual role playing will be distributed shortly before the class session.

Session #10  US-China Economic Relations

Readings:
• “Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure,” working paper, David Autor, David Dorn, Gordon Hanson, and Kaveh Majlesi, December 2016.

Session #11 Managing Climate Change
Part of the session will feature a guest speaker who is expert on energy/environmental issues in China

Reading:
• Naughton, Chapter 20
• World Bank and China’s State Environmental Protection Administration, The Cost of Pollution in China, by the 2007. (You should read at least the executive summary.)
• Daniel Rosen and Trevor Houser, “What Drives China’s Demand for Energy (and What It Means for the Rest of Us)?”

Session #12 The Future
This session will integrate the insight from a semester of learning, discuss the latest “hot” topics related to China that may have emerged in 2019, and look ahead for opportunities and challenges with regard to the rise of China in the world economy.

December 16 Research Report #3 due by 9 pm via the course web site (No class session)
• Note: You are welcome to submit the report before the deadline.