In order to understand China in the world economy, it is necessary to take an “in-out; then-now” approach. In other words, to understand how and why China was interacting with the world economy at any given time, it is important to know what was going on inside of China at that time. Similarly, in order to have a full appreciation for how and why China interacts with the world economy today, it is necessary to understand how it has done so in the past.

This course will examine China’s role in the world economy from two angles:

1. Historical: one can argue (and many do) that a world economy, and in fact a world history, did not exist until Vasco da Gama rounded the Cape of Good Hope in 1496 and, in the largest instance of cutting out the middleman ever recorded, opened a sea route between Europe and Asia. One can also argue that from 1496 until 1978, when Deng Xiaoping and the Communist Party initiated its “reform and opening up” policy, China did not play a willing and autonomous role in the world economy.

The course will examine China’s economic interactions with the outside world beginning with the Han Dynasty (206 BC – 220 AD) up to the present.

History is always more interesting when you approach it with an agenda. Our agenda will be to delve into two questions of historical significance: (A) ‘The Great Divergence’: why was it Europe, and more specifically England, that first broke out of the Malthusian trap and embarked on a path of modern economic growth, when it would seem that China much earlier had many of the precursors for that transformation? Why did Europe, often exploiting technology first developed in China, “discover” China and not the other way around? To what extent was Europe’s ‘Age of Discovery’ a reflection of other monumental trends taking place there that led to industrialization and the onset of modern economic growth that continues today? Why did it not happen in China? Would it have
happened in China eventually? More important, how has this history shaped today’s China and its role in the world economy? (B) Between the Treaty of Nanking in 1842, which ushered in China’s modern era, and the onset of war in 1937, what role did foreign economic actors play in China? What was their economic legacy? What were their political and psychological legacies? How did Western economic imperialism during that period shape China’s post-’49 policies and performance?

2. Current: once China ‘opened up’ after 1978, its economy, relatively isolated before then, gradually became more closely linked with the world economy. Therefore, in order to understand China’s role in the world economy today, one must understand the main elements of China’s domestic economy and how they have affected China’s external economic and political relations. We will examine how China has achieved its extraordinary growth and ask if it is molding itself to the global economy or if it is creating a competing model. We will ask if China’s growth model is sustainable and to what extent China needs to “re-balance” its economy. We will examine China’s voracious appetite for natural resources and its global impact. We will then examine the challenges and opportunities presented by China’s phenomenal emergence in Southeast Asia, Latin America and Africa. Finally, we will look at the U.S.-China economic relationship. Students will read about the RMB and the implications of China’s large foreign exchange reserves and holdings of U.S. government securities and the significance of China’s accession to the WTO. The students will learn the basics of foreign exchange, national income accounting as it applies to cross-border flows, the components of GDP as well as absolute and comparative advantage.

Sub-themes:

1. Reality and myth: we will examine certain aspects of China’s interactions with the outside world—namely the Silk Road, the Great Wall and the Opium War—and discuss how the historical reality morphed into a very different myth.

2. Turning points: we will examine certain points in Chinese history—namely the early Ming decision to discontinue maritime activities, Qianlong’s response to King George, and Mao Zedong’s population policy of the early 50s—and ask ‘what if’ questions regarding possible different outcomes.

Course Requirements and Form of Assessment

I do not grade on a curve, which means that, theoretically at least, the entire class can receive A’s or the entire class can fail. The most important corollary of this, however, is that you are not competing with one another. With the exception of the weekly quizzes and the final, I encourage you to work together, discuss and collaborate.
Students will be evaluated based on the following criteria:

- Attendance and group discussion: 10%
- Simulation performance (team & individual): 15%
- Current affairs presentation: 15%
- Weekly quizzes on readings: 30%
- Final: 30%

Attendance is not optional, it is required. Attendance will be taken each session. If you are not able to attend class please advise me ahead of time, including the reason. If you cannot advise ahead of time please advise afterward. Only valid medical or family emergencies qualify as an absence, and documentation of the same must be presented to the professor no later than the next class meeting. Failure to attend does not excuse you from knowing the material and may affect the class participation portion of your grade.

Academic Integrity

Please refer to the following web link for policies on academic integrity: [http://www.luc.edu/academics/catalog/undergrad/reg_academicintegrity.shtml](http://www.luc.edu/academics/catalog/undergrad/reg_academicintegrity.shtml)

Textbook & references

Textbooks: students will be required to read portions of the following books, in addition to articles and hand-outs:


Various journal papers, articles and other readings (see below)

In addition, students may check the following websites for useful information:

http://www.wto.org (World Trade Organization)

Many of the readings will be sent to you by email in pdf format. Please ensure that you are able to download, read and print pdf files. I will send you the readings from my email, which is TBA. Please ensure that your email settings do not screen out mail from this address. Please also ensure that I have the correct email address for you, and that your email address can receive sizeable attachments, as I will send to only one address for each student.

Students are responsible for the material presented in all mandatory readings, in addition to classroom presentations and discussions. Material in the readings will not necessarily be presented in class and material in class will not necessarily be reflected in the readings.

Some of the articles I assign toward the end of the course may be different from those listed in this syllabus. That is because these sessions deal with current issues, and I may find more up-to-date material for you to read.

Each student will (1) participate in a two-person team to make one presentations during the semester on current events of the previous week. The team will be responsible for collecting news items on the Chinese economy and external economic relations and will lead a class discussion for 25-30 minutes; (2) participate in a negotiation simulation.

Course Outline

Session 1

Survey/Course Introduction/Why do we care?/Introduction to the pre-reform section

Session 2

1. Han – Tang: The Tribute System
2. ‘River Elegy’

Current events: Session 2

Mandatory reading

Fairbank and Goldman, pp. 46-87 (textbook)

S.A.M. Adshead, China in World History, pp. 21-53 (handout)

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Session 3

1. Song: China as a Regional Equal
2. The Great Divergence: Max Weber, Albert Feuerwerker

Current events: Session 3

**Mandatory reading**

Fairbank and Goldman, pp. 88 – 107 (textbook)


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Session 4

1. Yuan – Ming: The World Comes Knocking
2. The Great divergence: Andre Gundar Frank, Mark Elvin

Current events: Session 4

**Mandatory reading**

Fairbank and Goldman, pp. 108 – 141 (textbook)


Session 5

1. European – Asian Trading ‘Systems’: Portugal, Spain, Holland
2. The Great Divergence: R. Bin Wong

Current events: Session 5

Mandatory reading


Session 6

Qing – Opium War: the Rise of Great Britain

Current events: Session 6

Mandatory reading

Fairbank and Goldman, pp. 143 – 195 (textbook)


Session 7

1. Opium War – WW II
2. Impact of Imperialism - I

Current events: Session 7

Mandatory reading

Fairbank and Goldman, pp. 195 – 278 (textbook)


Session 8

Impact of Imperialism - II

Distribute simulation case and introduce valuation model

Mandatory reading

Naughton: pp. 50 – 83 (textbook)

Angus Maddison, Chinese Economic Performance in the Long Run, 960-2030 AD, pp. 59 - 91, “Dynamics of Development in the New China” (handout) for sessions 7 & 8

Julia Lovell, The Opium War, Chs. 18 & 19 (handout)

Session 9

Liberation – 1978: The Central Planning Era

Review simulation valuation model

Mandatory Reading

Naughton, The Chinese Economy, pp. 85 – 110; 375 - 423  (textbook)

Frank Dikotter, Mao’s Great Famine, Chs. 10, 14, 15, 37 + Epilogue (handout)

Simulation case and model
Session 10

Economic Reform and the Development of International Imbalances - I

Negotiation session 1

Mandatory Reading

Huang Yasheng, *Capitalism with Chinese Characteristics*, pp. xiii – xviii; 1-45 (handout)

WTO, “The WTO in Brief” (handout)

R. Evan Ellis, *China in Latin America: The Whats & Wherefores*, ch. 1,2,3,7 (handout)

Session 11

Economic Reform and the Development of International Imbalances – II

Negotiation session 2

Mandatory reading

Edward Steinfeld, *Playing Our Game*, Ch. 1 & 2 (handout)

Carl Walter & Fraser Howie, *Red Capitalism*, Ch. 1, 6, 7, 8 (handout)

Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa*, Prologue, ch. 5, 6; and Conclusion (handout)

Session 12

Economic Reform and the Development of International Imbalances – III

Final negotiation session

Distribute take-home portion of final exam

Mandatory reading

Bergsten, Freeman, Lardy and Mitchell, *China’s Rise: Challenges and Opportunities*, Ch. 1, “China’s Challenge to the Global Economic Order” (textbook)

Bergsten, Freeman, Lardy and Mitchell, *China’s Rise: Challenges and Opportunities*, Ch. 6, “Sustaining Economic Growth in China” (textbook)

Nicholas Lardy, “Policy Brief: The Sustainability of China’s Recovery from the Global Recession”, March 2010 (handout)

Bert Hofman and Louis Kuijs, “Rebalancing China’s Growth” in Goldstein and Lardy, eds., *Debating China’s Exchange Rate Policy*, (handout)


Nicholas Lardy, Congressional Testimony, “China’s Exchange Rate Policy and Trade Imbalances”, April 22, 2010 (handout)

‘Focus on China ‘ selections from Thomas A. Pugel, *International Economics*, pp. 56-57; 78-79; 170; 336-337 (handout)

Power Point presentation on Dumping and Contervailing Duties (handout)

Session 13

Take-home portion of final exam due at the beginning of class

In-class portion of final exam

Wrap-up