China’s and India’s Growth Miracles

Fall 2011

Professor Eswar Prasad

The growing economic might of emerging markets, particularly China and India, and their increasing integration into global trade and finance have put them firmly at the center stage of the world economy. In this course, we will undertake a comparative analysis of the growth experiences of emerging market economies—with a particular focus on China and India—through the twin lenses of international finance and development economics. We will examine the roles of trade and financial openness, institutions, government policies, and labor markets in determining the trajectory of growth. In particular, we will focus on the roles of domestic financial sector development and international financial integration, and the interaction between them, in the process of economic development. This will essentially serve as a guided tour through key concepts in international trade and finance. Finally, we will discuss growth prospects for China and India, the myriad domestic and external challenges that they face in sustaining high growth, and the implications for the world at large.

Prerequisites: Intermediate-level courses in macroeconomics, international economics, and econometrics/statistics.

Lecture hours: Mondays, 2:00 p.m. – 4:25 p.m.
245 Warren Hall

Grading: Letter grade only. Grade will be based on assignments, term paper and class participation

Credits: 3

Teaching Assistant: Parul Sharma (ps552)

TA’s Office Hours: Thursdays, 12:00 noon to 2:40 p.m.
334 Warren Hall

Course Support: Carol Thomson (cmt8)
116 A Warren Hall

Professor’s Office Hours: By appointment (through Carol Thomson)
COURSE SCHEDULE

Lecture 1, August 29th
Lecture 2, September 7th

Topic: Determinants and Implications of Growth Patterns in China and India


We will also have guest presentations about data resources available at Cornell to work on China and India, and also to generate comparative perspectives with other emerging market economies. Some data issues (and potential pitfalls) will also be discussed.

Lecture 3, September 12th

Topic: Balance of Payments, Exchange Rates


Lecture 4, September 19th

Topic: Capital Controls, Capital Account Liberalization


Lecture 5, September 26th

Topic: Exchange Rate Regimes, Monetary Policy


Goldstein, Morris, and Nicholas Lardy, 2008, “China’s Exchange Rate Policy: An Overview of Some Key Issues,” in Debating China’s Exchange Rate Policy, eds. M.


Lecture 6, October 3rd

Topic: Trade Liberalization, Composition of International Trade


Lecture 7, October 17th

**Topic: Macroeconomic Policies and Growth in India**

*Guest Lecturer from World Bank: Dr. Kalpana Kochhar, Chief Economist for South Asia*

Before class, read the latest IMF Staff Report on India (for 2009), available online at:
http://www.imf.org/external/pubs/cat/longres.cfm?sk=23714.0

There are also some interesting analytical chapters in the IMF’s Selected Issues Paper:
http://www.imf.org/external/pubs/cat/longres.cfm?sk=23022.0

Lecture 8, October 24th

**Topic: Finance and its Role in Growth**


Lecture 9, October 31st

Topic: The Global Financial Crisis: Causes and Implications


Lecture 10, November 7th

Topic: Sustainability of Growth, Domestic and External Risks, Comparative Perspectives on Long-Term Growth Prospects


Lecture 11, November 14th

Topic: Policies and Growth Prospects in China and the Asian Region

Guest Lecturer from IMF: Nigel Chalk, China Mission Chief & Senior Advisor, IMF

Before class, read the latest IMF Staff Report on China (for 2010), available online at: http://www.imf.org/external/pubs/cat/longres.cfm?sk=24094.0

IMF Asian Regional Economic Outlook (April 2010)
Lecture 12, November 21st

Topic: Different Approaches to Reform, Socio-Political Considerations


Lecture 13, November 28th

Topic: Implications of China’s and India’s Emergence and Future Growth for World Economy


[More readings to be added]
BACKGROUND READINGS & REFERENCE MATERIALS

Emerging Markets: Resilience and Growth Amidst Global Turmoil, M. Ayhan Kose and Eswar Prasad, Brookings Institution Press, 2010 (to be published in October; manuscript will be made available on the course blackboard site).


COURSE ASSIGNMENTS AND REQUIREMENTS

Common Points about Formatting, Submission of Assignments

1. All text should be double-spaced (except footnotes and references, which can be single-spaced).
2. Use 12-point font for text (important: do not use smaller font size), at least 1” margins on all sides.
3. Follow formatting instructions for tables and figures.
4. Put on the subject line “4540: Assignment I” or whatever the relevant document is.
5. Email the documents in pdf format to Parul Sharma (ps552) and Carol Thomson (cmt8).
6. Put your name at the top right corner of each assignment.

Indicative Grade Allocation

Assignment I (Macro Data: Basic): 5 percent
 Assignment II (GDP Comparisons): 5 percent
 Assignment III (Trade, Exchange Rate): 5 percent
 Assignment IV (Data Note): 10 percent
 Assignment V (Research Note): 15 percent
 Assignments VI-VIII (Research Proposal, First Draft, Final Draft): 60 percent (10+20+30)