China’s and India’s Growth Miracles

Fall 2012

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.
145 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: Tuesdays & Thursdays, 9:00 am to 10:00 am
334 Warren Hall

Course Support: Carol Thomson (cmt8)
132 Warren Hall

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

Lecture 1, August 27th
Lecture 2, September 4th

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


We will 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 10th

Topic: Balance of Payments, Exchange Rates


Lecture 4, September 17th

Topic: Capital Controls, Capital Account Liberalization


Lecture 5, September 24th

Topic: Exchange Rate Regimes, Monetary Policy


Lecture 6, October 1st

**Topic: Trade Liberalization, Composition of International Trade**


Lecture 7, October 15th

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

*Guest Lecturer from IMF: Steven Barnett, Division Chief, IMF Asia and Pacific Department*

Before class, read the latest IMF Staff Report on China (for 2011), available online at:
Lecture 8, October 22nd

Topic: Finance and its Role in Growth


Lecture 9, October 29th

Topic: The Global Financial Crisis: Implications for Emerging Markets


Lecture 10, November 5th

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


Lecture 11, November 12th

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

Guest Lecturer from IMF/World Bank

Lecture 12, November 19th

Topic: Different Approaches to Reform, Socio-Political Considerations


**Lecture 13, November 26th**

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


BACKGROUND READINGS & REFERENCE MATERIALS


The Renminbi’s Role in the Global Monetary System, Eswar Prasad (with Lei Ye), Brookings Institution Report, February 2012.


Sustaining China’s Economic Growth after the Global Financial Crisis, Nicholas R. Lardy, 2012, Peterson Institute Press.
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

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Description</th>
<th>Percent</th>
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<tbody>
<tr>
<td>I.</td>
<td>Macro Data: Basic</td>
<td>5 percent</td>
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<td>II.</td>
<td>GDP Comparisons</td>
<td>5 percent</td>
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<tr>
<td>III.</td>
<td>Trade, Exchange Rate</td>
<td>5 percent</td>
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<tr>
<td>IV.</td>
<td>Interest Rates</td>
<td>5 percent</td>
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<td>V.</td>
<td>Data Note</td>
<td>10 percent</td>
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<td>VI.</td>
<td>Research Note</td>
<td>15 percent</td>
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<tr>
<td>VII-VIII</td>
<td>Research Proposal, First Draft, Final Draft</td>
<td>60 percent (10+20+30)</td>
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Assignment Schedule

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<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Handed out</th>
<th>Due date</th>
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<tbody>
<tr>
<td>I.</td>
<td>Macro Data: Basic</td>
<td>Aug. 27</td>
<td>Aug. 31</td>
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<td>II.</td>
<td>GDP Comparisons</td>
<td>Sept. 4</td>
<td>Sept. 7</td>
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<td>III.</td>
<td>Trade, Exchange Rate</td>
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<td>IV.</td>
<td>Interest Rates</td>
<td>Sept. 17</td>
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<td>V.</td>
<td>Data Note</td>
<td>Sept. 24</td>
<td>Sept. 28</td>
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<td>VI.</td>
<td>Research Note</td>
<td>Oct. 1</td>
<td>Oct. 12</td>
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<td>VII.</td>
<td>Research Proposal</td>
<td>Oct. 15</td>
<td>Oct. 29</td>
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<td>VIII.</td>
<td>First Draft</td>
<td>Oct. 29</td>
<td>Nov. 16</td>
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<td>IX.</td>
<td>Final Draft</td>
<td>Nov. 19</td>
<td>Dec. 7</td>
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