September 6, 2018

Econ 274: Most of this material covered in Chs 1-3 of Naughton.

1. China is big. As an economy we want to use PPP – low-wage economies have much lower prices for services, so asking how far $1 (= RMB 6.8) is grossly misleading. You can't buy lunch for $1 in the US, you can in China. (Well, I've not been there for a couple years…)

PPP is similar in calculation to the consumer price index, taking the "basket" of US goods and asking how much money you'd need to buy it in China, and also taking the "basket" of Chinese goods and pricing them in the US. The PPP is the (geometric) average of the two. With tweaks.

Using PPP, the Chinese economy is bigger than the US by 20%. We're also behind the European Union in scale, albeit not by much. (I have not seen a statistical "confidence band" for current PPP measures. There are some in the 2-volume initial report of the International Comparison Project, housed at the Univ of Pennsylvania and funded by the World Bank.)

2. Per capita is different – $16,600 vs $60,000 for the US. The average Chinese is still poor, but not starving. Unlike in truly poor countries, you don't see people who are homeless or visibly malnourished (well, there are the obese, but that's not due to low income). A comparison: a worker earning minimum wage at $8 and 52 weeks of 40 hours earns $16,600. Remember, that number is taking account of lower food prices in China, so a large slice of the population gets by. That includes having a smart phone – China has 800 million internet users, even grandma back on the farm.

3. We looked at maps: big, but deserts and mountains so that the population is concentrated along a few major rivers and coastal regions and the Sichuan basin and north China plain. Historically China was in the north, eating wheat (at least if you were above peasant class). Corn was introduced post-Columbus, peanuts too. But by the time of the Mongols (13th century) irrigated rice technology reached the Yangtze River delta, and the Ming Dynasty (1368-1644) saw the center of gravity of China shift south. There was no national economy but rather a set of "macroregions" that were much more intensive in regional than in interregional trade. Now (since 2010) China has high-speed rail and a larger expressway system than the US, all new and linking what is increasingly a national economy.

4. That ties to the other major point: China was an empire, not a nation-state, and elements of that persist today. (Later this term I'll talk about the geography of the auto industry, on which I'm doing research.) Different ethnic groups, different language families (Mongolian, Turkic, Indo-European, Burmese, Thai, Tibetan, and Chinese), Muslim and Buddhist and other religions. Pastoralists and triple-crop rice farmers. The history is fascinating, and Prof Bello in History is a well-known scholar of the Qing Dynasty (1644-1911), focusing on China's periphery. Details don't matter, but local autonomy does. Can Beijing dictate anything to China's 31 provinces? – even Beijing!?

5. We chatted about one final issue: demography. Since 1970 in urban areas, and since 1980 for the country as a whole, women have averaged less than 2 children, and hence less than 1 daughter. There are now far few women of childbearing age today than in 1980, and the working-age population is already falling. With fewer workers, economic growth has slowed, and will get slower. By 2050 China's population will fall by 100 million, and will be old – the biggest cohort will be over age 65.

6. Why? Policy, yes. But also incomes and urbanization. No formal model, but a farmwife could work and care for children simultaneously, they didn't need education, and they themselves began doing errands by age 10. Now women are urban career-holders, and parents want their kids to have an education. Most families stop at one child.

7. Slowing growth will be a subtheme the entire term. What happens to urban development? to government finances? Growth at 10% led to sloppy practices. Lots of projects will go belly-up, and so a financial crisis is possible. That is already a policy focus of the government.

8. Points in passing.

Manufacturing is in decline, and does not dominate the country. Agriculture is very much in decline, which given its minuscule role in the US and Europe should be no surprise.

State-owned enterprises were but are no longer dominant. They aren't absent but they tend to be in sectors that are regulated in most economies – utilities, airlines, telecoms, aerospace. Regulation versus ownership – you have to delve into details. The issues aren't as much the government controlling the economy through SOEs as the government being unable to control SOEs. Think tax collection, think the national petroleum company investing in the Sudan, think big banks lending in ways contrary to national (monetary) policy. SOEs do have an advantage in capital-intensive lines of business, that no tax thing. What are the side effects? – that's one of our topics.