



Using India and China to Interest American Students in Economics

By Nimish Adhia and Lauren Heller



The rapid growth of the Indian and Chinese economies in the past thirty years is a boon for any teacher of the social sciences because they are a source of engaging stories that illustrate important economics concepts. The economic events in the two countries that have led millions of people to escape heart-wrenching poverty have a strong human interest element, and the stories surrounding the events have much appeal to today's high school and college students who tend to have more global consciousness than those in the past. Several of the stories are real-life illustrations of important economic concepts, such as the tragedy of the commons and the role of market prices in the efficient allocation of resources. Our goal is to suggest instances, based on our experience, of how stories drawn from the larger narrative of Indian and Chinese growth can be used by economics, history, or government teachers to meet some of the biggest challenges they face—engaging students, making the material stick, and tackling the 800-pound, silent gorilla: “Why do I need to know this?”

Our experience with these stories as a way to motivate students comes from teaching an economics course we designed and taught in the Business School at Berry College, titled “The Elephant and the Dragon: The Rise of India and China.” The course was of an unusual type—it was offered for a single credit hour, consisted entirely of class discussions, met for an hour and a half once a week, and was limited to nine students. The intimate class setting, discussion-intensive nature, and the large volume of readings that were assigned provided us with a setting that was conducive to observing the impact of these stories. Many lessons we learned that we relate here could easily be applied to larger introductory world history or economics classes in college or high school.

The pedagogical value of stories is well-recognized. Stories capture attention and are memorable. Lessons embedded in them are retained longer. Aesop's fables and the Indian *Panchatantra* tales have endured several millennia by their ability to effectively teach morals. An economics teacher already tells many stories. For example: Once upon a time, the government of New York City decided to help the poor by imposing rent control. But the poor were ill-served when such a policy decreased the supply of apartments and reduced incentives to maintain them, resulting in the run-down conditions of many New York neighborhoods. An economics or history teacher could tell a similar story about rent control in Mumbai or wage controls in pre-reform China or interest rate controls in pre-reform India.

A benefit we see for other teachers in drawing stories from a larger single narrative, such as the growth of India and China, is that the stories cohere together, thus making them “stick.” Story by story, larger pictures of the Indian and Chinese economies form shape in the student's mind,

Why do I need to know this?



and each story is remembered due to its place in the larger picture. An incidental benefit is that students gain knowledge in some depth about two large foreign societies, which is an important goal of a well-rounded or globally focused education that is increasingly embraced by schools and colleges.

What stories can an economics, history, or social sciences teacher tell from the larger growth story to teach economics lessons? Here are just a few ways a teacher may be able to incorporate stories into well-known concepts from economics curriculum for use in the classroom.

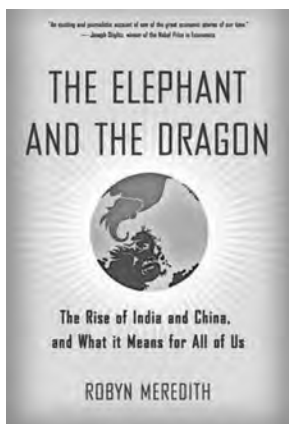
Incentives, including Prices, Matter

The importance of incentives is emphasized in chapter one of most economics textbooks. The chapters that follow usually elaborate on the role of market prices as signals and incentives. Students are taught that the rising price of gas, for example, gives producers the incentive to produce more. Falling prices of landline phones, for example, resulting from the product not being in great demand, give producers the incentive to reallocate their resources elsewhere. Such price

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“signals” ensure that what is being produced is in accordance with consumer demand. The narrative of Indian and Chinese growth is, at one level, a collection of events in which reorganization of economic activities based on incentives provided by prices led to large increases in production. In pre-reform China, for example, the State Owned Enterprises (SOEs) were responsible for three-quarters of non-agricultural production.¹ The input and output prices for SOEs were decreed by the government, so there were no market-determined prices to provide signals from the consumers about their wants and satisfactions. Combined with the lack of profit incentive, SOEs produced poor-quality goods at exorbitant costs that piled up, while the public suffered a shortage of basic necessities. As part of the reforms beginning in 1979, an increasing fraction of their input and output prices were determined by the market, and many enterprises were given greater managerial autonomy to respond to the market. By 1995, 78 percent of producer goods were obtained at market prices.² Multinational corporations and private firms were allowed to compete in several markets previ-

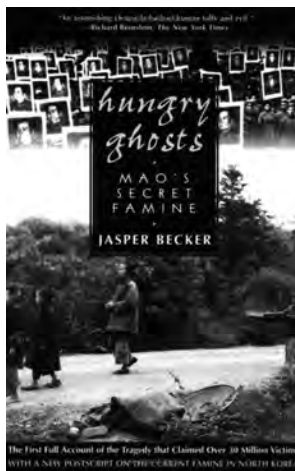
ously reserved for the state-owned enterprises. The total number of industrial enterprises increased eight-fold between 1980 and 1995. Consequently, there has been a fifteen-fold increase in value added in the industrial sector, and China today has the reputation of being the “workshop of the world.”



Two books that showcase the rise of China and India on the basis of incentives are *The Elephant and the Dragon: The Rise of India and China*, and *What It Means for All of Us* by Robyn Meredith and *Billions of Entrepreneurs: How China and India are Reshaping their Futures and Yours* by Tarun Khanna. Published fairly recently, these books provide an in-depth look at the recent rise of both countries and the implications of this growth for the countries themselves and the US. In utilizing these texts, we have found it useful to group the chapters that address specific themes (such as “Geopolitics” or “The Effect of India and China on the American Economy”), including supplementary reading from other sources that correspond to the theme of a class session. While the Khanna text is a bit more advanced and suitable for advanced undergraduate business majors, the text by Robyn Meredith is more accessible and would likely be a better choice for beginning undergraduates or high school students.

Property Rights and the Tragedy of the Commons

Several social science classes emphasize the role of property rights in avoiding the so-called “tragedy of the commons.” The “tragedy” occurs when



property rights are either nonexistent or poorly defined. As a result, common property resources are over-utilized, leading to the depletion of the resource to the detriment of all those involved. While there are many environmental applications in both the developing and developed world that teach this story, these applications may not affect all students on a deeply personal level. Mao Zedong’s economic program of collectivization in rural China and the subsequent “Great Leap Forward” provide examples of the tragic consequences that can occur from a lack of property rights. The dramatic decrease in agricultural production due to collectivization, coupled with the production inefficiencies exacerbated by the Great Leap Forward, resulted in a famine in which 30 million peasants perished.³ Despite the incredibly large number of needless deaths that resulted from these policies, very few American students seem to be aware that the Great Leap Forward even occurred. Assigning readings that tell stories from this tragedy does seem to affect students on a very deep level. One text that illustrates the consequences of collectivization with particularly gripping detail is Jasper Becker’s book, *Hungry Ghosts: Mao’s Secret Famine*. While the book contains graphic details of the impacts of famine on peasant villages (including descriptions of cannibalism, death, and wasting bodies), assigning selected chapters of this book to undergraduates seemed to make an impact on them that they will not soon forget. In reflecting on the readings at the end of the course, one student wrote:

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This reading was one of the first ones in the class and I think it taught me the most. It stuck with me because the content was just unbelievable and I was so surprised at how much I didn’t know about that time period of China’s history. I never knew about the events that this book discusses and I don’t think many people do. More than anything it was just eye-opening. A very interesting read and one that really grabs your attention and makes you want to learn more about the country.

Many other students expressed similar sentiments, listing the chapters from this book as their favorite text in the course, even though some portions (as they were warned ahead of time) are quite disturbing to those who have not heard of these events before. In this way, stories like this show students that economic concepts matter and not just for efficiencies in firm production or economies of scale. In other words, an understanding of the importance of property rights and economics can literally save lives.

Supply and Demand

A crucial point that economics teachers get across in an introductory course is that when prices are determined by the market, demand and supply tend to converge. A story from India illustrates this. Before 1991, the price of foreign exchange in India was set by governmental decrees instead of the market. Because the rupees-per-dollar price was decreed to be below the market price, it led to a shortage of dollars in the Indian foreign exchange market, as would be predicted by economic theory. Because the country is heavily dependent on imports of oil, the shortage became a bane of the government, and policymakers had to resort to rationing foreign exchange. People sought to circumvent the controls by obtaining dollars under false pretenses or carrying on export trade covertly and then selling their proceeds at the higher price in the black market. Such attempts led them to a “cat and mouse” game with the government. Unauthorized possession of foreign exchange became a crime punishable by jail. It also became a convenient pretext to lock away political opponents. Meanwhile, several industrial plants lay idle because the foreign exchange needed to import essential inputs that could not be obtained. Since 1991, the government has allowed the rupee price of foreign exchange to be set by the market. As the price of the dollar rose to the market equilibrium, so did its supply. A record of sorts was reached in 2003 when the foreign exchange inflows resulting from just the information technology sector’s exports were enough to foot the country’s entire oil import bill.

The Importance of Trade for Economic Growth

There is a strong consensus among economists that international trade increases the standard of living of all trading nations. On the other hand, most students come to their first economics class with the assumption that when Americans buy stuff made in China, they are contributing to the exploitation of Chinese workers. What is not immediately obvious to such students is that the workers’ options outside of factory labor are far worse and that these factories, which Americans look down upon as sweatshops,

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FACTORY GIRLS / Leslie T. Chang
From Village to City in a Changing China

have provided Chinese families a stepping stone to a better life. The book *Factory Girls: From Village to City in a Changing China* by journalist Leslie Chang is full of stories that belie the students' assumption:

I spent two years getting to know assembly line workers like these in the south China factory city called Dongguan," explained the author in her talk at a Technology, Information, and Design (TED) global forum. "Certain subjects came up over and over: how much money they made, what kind of husband they hoped to marry, whether they should jump to another factory or stay where they were. Other subjects came up almost never, including living conditions that to me looked close to prison life: ten or fifteen workers in one room, fifty people sharing a single bathroom, days and nights ruled by the factory clock. Everyone they knew lived in similar circumstances, and it was still better than the dormitories and homes of rural China.⁴

What eventually emerges from the stories that Chang tells is a picture of women more confident and empowered within their family and more willing and able to resist oppressive social expectations, in part because of the independence afforded by their paychecks.

On the eve of the Chinese reforms in 1978, only twelve firms were allowed to conduct foreign trade, and they traded in goods and services worth \$21 billion.⁵ By 2004, more than 35,000 firms were authorized to engage in foreign trade, and the trading volume was upward of \$1.1 trillion, making China the world's biggest exporter. The change was brought about by a policy that dramatically lowered barriers to international trade and made it easier for export-oriented firms to employ the country's most abundant resource—labor. The composition of China's exports—primarily consisting of labor-intensive goods such as clothing, toys, and assembled electronics—is very much in accordance with what economic theory would lead us to predict. These export-orientated firms have employed millions of young Chinese women, like those poignantly described in Leslie Chang's book. The trend in workers' wages is also concomitant with what economic theory predicts when the demand for labor rises—between 1978 and 2004, the average inflation-adjusted wages have increased six-fold.⁶

Economic Growth and Income Inequality

China's economic growth has provided previously unavailable economic opportunities to the average Chinese citizen, and consequently, there has been a mass migration of peasants to cities in search of employment. The greater opportunities in cities have resulted in massive differences between urban

and rural incomes. A vivid example of the implications of this migration is given in chapter ten of Leslie Chang's *Factory Girls* ("The Village"), where the author accompanies two factory workers on their annual visit home to celebrate the New Year.⁷ In addition to an illustration of the differences in wealth between the city and the countryside, this passage also illustrates the power dynamics that such wealth can bring. On their return home, for example, the female factory workers exhibit much more influence over their families than they had been able to exert before "going out," including choices about potential mates and their future careers. In this way, the chapter provides a great way for teachers to begin a discussion of the relationship between growth, income inequality, and autonomy of women.

Migration and the Diaspora

The growth of the Indian and Chinese economies has not only pulled people into the cities but has propelled them overseas too. The effects of international migration, especially on the economy of the US, are of much interest to American students. The related topic of outsourcing is also brought up by students when they discuss the impact of Indian and Chinese growth on the US economy. Robert Guest's recent book, *Borderless Economics: Chinese Sea Turtles, Indian Fridges and the New Fruits of Global Capitalism*, provides a well-written, accessible, and at times amusing look at the effects of international migration on the American economy, as well as the economies of the immigrant's home countries. We have found that the book is well-received by students, and it poses useful questions for classroom discussion and debate. Another perspective on international migration is provided by fiction written from the point of view of immigrants. We have assigned selections from *The Joy Luck Club* by Amy Tan and *Interpreter of Maladies* by Jhumpa Lahiri, both of which have generated significant interest and discussion by students on the evolving role of immigrants in the US economy.

Practical Considerations for the Classroom

The stories of Indian and Chinese growth over the past century provide rich fodder for classroom discussion. In trying to maximize the effectiveness of the stories in our class, we have discovered some tips and tricks and identified a few pitfalls, and we are sharing them here with the hope that some of these may be useful to other teachers.

The most important thing we have learned from teaching a discussion-based course is that students must be held accountable in some way for both the assigned reading and their contributions to the class discussion. With respect to the reading, it is crucial that all students have both read and given considerable thought to the assigned texts in advance in order for the resulting classroom discussion to be fruitful. We know that incentives matter and that students face a large number of competing demands on their time. For this reason, we have found it necessary to explicitly reward students for reading in advance through the course grade. Specifically, we have found that providing two to three discussion questions to be completed in advance by the student greatly increases the probability that they will have completed the reading by the time they arrive in the classroom. We have also found that asking a few questions where students are expected to answer in detail rather than a long series of short answers encourages students to think about the text on a deeper level rather than focusing on mere comprehension. For example, when asking students to respond to the *Factory Girls* reading mentioned above, we have found it more helpful to ask students why they think the Chinese women migrated to the cities for work rather than merely asking what happened when the women did so.

The discussion questions serve another purpose other than ensuring that students are reading in advance. They are also valuable tools to encourage classroom discussion. In opening class, we would often begin with an open-ended question such as, "What struck you most about the

reading?” to encourage students to share their views or what they had learned about India and China from the texts. While this technique was valuable, the students would become quiet again, oftentimes after a few minutes. In this case, having quieter students read the discussion questions that they had already prepared served as a great icebreaker that would lead to further discussion. It was also a great way to ensure that we received good responses to the questions since students did not want to read a mediocre response in front of their peers. In addition to these techniques, we also found that explicitly grading their participation in the classroom with a detailed rubric also encouraged quieter students (especially the more grade-conscious ones) to contribute to discussion. In these ways, not only could we use stories to motivate our students to learn about India and China, but they could become the storytellers as well.

Colloquium Course Discussion Rubric

This is a colloquium course. Students are expected to be engaged participants; insightful comments and questions are expected from each person in the class. Just to be clear, not participating in class may lead to a grade below “A,” no matter how well a student performs on the written assignments. The following rubric will be used when determining your final class participation grade:

Participation Grade	Quantity and Quality
45–50 percent, A	Participates frequently during each class session in a manner that relates to other points discussed and encourages further conversation. and Contributions are relevant to the discussion and include specific citations of assigned readings, as well as specific examples from one’s own ideas or outside sources.
40–45 percent, B	Participates occasionally in each class session in a manner relating to other points and encourages further conversation. and Contributions are relevant but make only vague references to assigned materials without specific examples.
35–40 percent, C	Seldom participates. or Contributions are relevant to the discussion but contain no references to assignments and no specific examples.
30–35 percent, D	Seldom participates. or Contributions are not relevant to the discussion and contain no specific examples to make key points.
0–30 percent, F	Never or rarely participates.

This scoring rubric was adapted from one created by Florida Gulf Coast University, <http://tiny.cc/l2ajmw>.

The dramatic changes of the Indian and Chinese economies over the past few decades provide wonderful stories to engage economics, social sciences, and history students on a deeper level. We hope that our experiences using these stories can give our fellow teachers some useful tools and ideas that they may be able to implement in their own classrooms, encouraging a more global perspective and greater interest in these giant Asian economies among American students. ■

NOTES

1. Loren Brandt and Thomas G. Rawski, eds., *China’s Great Economic Transformation* (Cambridge: Cambridge University Press, 2008).
2. *Ibid.*, 572.
3. Tarun Khanna, *Billions of Entrepreneurs: How China and India are Reshaping their Futures and Yours* (Boston: Harvard Business Press, 2007).
4. Leslie T. Chang, *Factory Girls: From Village to City in a Changing China* (New York: Spiegel & Grau, 2008).
5. Lee Branstetter and Nicholas Lardy, “China’s Embrace of Globalization,” in *China’s Great Economic Transformation*, Loren Brandt and Thomas G. Rawski, eds., (Cambridge: University of Cambridge Press, 2008), 633–682.
6. *Ibid.*
7. Chang, 269–302.

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