Teaching Microeconomics of Education at Shaanxi Normal University

Introduction

At the end of August, 2004, I was awarded the OYCF-Gregory C. and Paula K. Chow Teaching Fellowship to teach Microeconomics of Education at Shaanxi Normal University for the academic year 2004-05. Between mid-June and early July I accomplished the teaching task as I had proposed in my application.

I had chosen Shaanxi as the site not only because I would like to make my share of contribution to my home province and establish a long-term relationship with universities there, but also because I had increasingly realized the important role education could play in narrowing the gap between the costal regions and the western provinces.

As China transitions from a planned economy to market economy, and at the same time, the process of marketization and privatization deepens in education. It has become increasingly important for administrators and policy makers to use economics to efficiently allocate scarce resources in education.

Design of the course

I had designed the course based on an economics of education course I had taken and also worked as a Teaching Fellow for as a doctoral student at the Harvard Graduate School of Education. However, I had to make several major adjustments because the course I would be teaching was a short-term one and students were all Chinese. First, I condensed the content of the course and generated major themes to center around during the teaching. Second, I enriched the course material by finding extra readings on other countries rather than focusing on the US only. Third, I tried to apply the economic theories to the Chinese case in my teaching and encouraged students to analyze the Chinese case using the economic theories.

The notion of scarcity underlies economics. Every society faces a scarcity of resources. Given this scarcity, every society must determine what mechanisms will be used to provide the answers to three fundamental questions: What? How? And for Whom? The *What* question concerns what combination of goods should be produced. The *How* question concerns what mix of resources and technologies should be. The *for Whom* question should consume the goods and services that are produced. This is a course about how the tools of microeconomics can help educators to understand policy issues and make wise decisions about the most effective use of scarce resources. It is designed specifically for people planning careers in education. All of the key lessons are developed in terms of applications to educational policy issues. Some of the examples concern United States policy questions; some concern issues of educational policy particularly relevant to Third World countries. The vast majority of the tools are relevant to analysis of educational policy issues in a wide range of countries.

The major theoretical themes that were covered include:

- How Economists Analyze Problems of Scarcity and Choice.
- Supply and Demand in Education: How Markets Allocate Scarce Resources.
- Elasticities: Measures of Responsiveness.
- How Taxes and Subsidies Affect Prices and Quantities.
- Price Discrimination: Charging Different Prices to Different Consumers of the Same Educational Service.
- How Economists Define Costs, and the Implications for Decision Making.
- Human Capital, Ability, and Screening.
- Welfare Economics: The Cases For and Against Using Markets to Allocate Resources.
- What Role Should Government Play in the Market for Post-Secondary Education?

Some of the questions that we discussed in the course include:
- What market circumstances can explain the experience of a small college that raised its tuition only to find that, while revenue rose in the first year, it fell in subsequent years?
- How do economists evaluate whether reducing class sizes in the primary grades of public schools is a good use of society's scarce resources?
- How can price indices be used to calculate the influence of collectively bargained cost of living provisions in teachers' salaries, and the extent to which inflation eroded the purchasing power of teachers' salaries over the last 20 years?
- To what extent can a developing country increase school tuitions without denying poor families access to education?

In addition to providing the students with a set of conceptual tools, the course also discusses new evidence from economic analyses of a number of important policy issues. Examples included:
- Trends in the salary premium that college graduates earn over the salaries paid to high school graduates, and the reasons for the startling changes in the size of the college premium.
- Reasons why United States high school students may have less incentive to work hard in school than their counterparts in some other countries.
- The sensitivity of teachers' career choices to salaries.
- Types of school inputs that seem particularly important in enhancing student achievement in third world countries.
- The relative value for developing countries of investing in primary school education, secondary school education, and education.

Furthermore, we discussed in great details a few important issues that were relevant to the Chinese education. Some examples are:

- Do you endorse the tuition-charging policy that was fully implemented in 1997? Why?
- Do you think the Chinese government should encourage the development of private higher education?
- Are you for or against the industrialization of education?

The teaching

I arrived in Shaanxi Normal University a few days prior to the actual teaching to do the preparation. My students were 29 Master students in the Program of Economics of Education and Management at the College of Educational Science. I printed and photocopied readings for them and talked to the faculty there about students' level of preparation with regard to economics of education. I realized that none of the students had much training in economics or statistics. At the same time, I realized the great need for graduates in the area of economics of education. However, because of the lack of faculty in this area across the country, students were not getting the proper training. I was excited to find that my course would fill an important gap in their curriculum. But at the same time, I was somewhat concerned about what the lack of preparation on the students' part would mean for my teaching.

Although I had worked as the Teaching Fellow for the Economics of Education at my own school, teaching it independently as an instructor obviously gave me more obligation, responsibility as well as influence over students, which all turned into pressure for me to do my very best in preparing for the course. In addition, the issue of language might present an extra problem. I discussed with the associate dean in charge of graduate program about whether I should use English or Chinese, and we finally decided that I would speak Chinese in order for the students to learn the material better. However, this presented some problems for me. First, I prepared the powerpoint presentation slides in English, and teaching the class in Chinese would mean that I had to translate the major terms into Chinese. Since I learned all the course material in English and did not know the exact Chinese translation, I had to buy a few Chinese textbooks on economics of education to look for the Chinese translation so that students could better understand my teaching. Related to this, when I rehearsed the teaching in my own room, it so happened that many times, the English expression came to my mind first, and I found myself stumble for the right Chinese expression. To make sure that there was a smooth flow in my teaching, I rehearsed quite a few times before each class, and wrote down the equivalent Chinese expression in the notes I prepared for myself.

In addition to teaching students the material on economics of education, I wanted students to experience a highly interactive and participatory class environment. It was my own college experience in China that students sat passively in class listening to professors lecturing, and I wanted to open students' eyes a new approach to teaching. Furthermore, I wanted students to learn how to discuss and argue. My college experience in China taught me that there was an answer to every question and that teachers were teachers because they could provide students with those answers. Having spent a few years in American classroom, I realized that it was a misleading message. I wanted students to know that there was not always an answer to every question and that it was important to observe issues and the world from different perspectives.

Having these "hidden agenda" in mind, I encouraged students to actively respond to my questions in class and to raise questions whenever they had one. Students were shy in the first class, and did not speak much. I told them that I knew they had things to say, but did not feel like saying it in class either because they were afraid of making mistakes and being laughed at or because they thought they opinions were not important. I also told them that a classroom provided a platform where teachers and students seek to broaden and deepen their understanding of issues by collaborative inquiry, and that we approached the truth by building on one anther's thoughts. My understanding of their state of mind as well as my enthusiastic encouragement started to show its effect starting from the second class. To my great enjoyment, students were more and more involved in class discussions.

Obviously, students were eager to lean and I was deeply moved by their enthusiasm. In addition to the formal teaching time, I held office hours in the afternoon. Students made full use of my office hours to talk about things ranging from the class material and their own research to how I managed to study abroad and what my future plan is. Through talking to the students, I realized some serious problems with the graduate programs all over China, such as the lack of proper methodological training, the lack of access to information they need for doing research, and the lack of rigor in the curriculum. Part of the problem originated from the rapid expansion of graduate programs across the country.

The final assignment I gave to the students was to do a presentation on a topic of their choice, and the topic had to be approved by me. The purpose of giving this assignment was two-fold. First, I expected them to apply what they learned in the class to analyze an issue of their interest. Second, I wanted them to improve themselves in presenting in public. They could either do it independently or in pairs. Each presentation should be no more than ten minutes, and the whole class and I had five minutes to give them feedback both on the content and style of the presentation. Students' presentation covered a broad range of topics and generated great discussions among the whole class.

The evaluation

In the last class, I handed out the evaluation form for students to fill. Generally speaking, students really liked the class and wished that I could teach for a longer period of time. In the evaluation, students expressed how much they enjoyed the class and their hope that there would be more OYCF Teaching Program like this. Some of them also gave me feedback on how to improve the class, such as giving/recommending more reading and adding more case studies. There were also two faculty members at the school who audited my class and they said that they really liked the class and expressed their hope to keep in touch with me in the future. The deans of the college expressed their gratitude for me as well as the OYCF, and hoped that I would go back to teach whenever I could.

Through the formal teaching as well as the informal interaction, I became more and more bonded with the students. I was happy to see that what I was teaching was in great need and was well-received by students. It was also gratifying to learn from the students about issues in Chinese education as well as the ways to improve my teaching. It was a great experience that reinforced my determination to teach at a university upon my graduation.

Teaching Media Communication and Beyond
Yanmin YU
May-June, 2005

I. Teaching at Dali University

Many people know of Dali because of its natural beauty with Cang Shan and Er Hai, because of its closeness to Lijiang, and because of its accessibility to Shangri-la. I selected Dali University as my hosting institute for the Teaching Fellowship from OYCF not just because of its scenery since I had visited the area before, but more because of the university's need for new ideas, alternative style of thinking, and outside challenges.

Dali University is located in Dali, Yunnan. It is in fact still a college despite the fact that it offers master's and doctoral programs in many disciplines. Sizewise Dali University is a fairly large one with about 10,000 students. The reason it has not obtained its university status is that it does not have enough faculty members with post graduate degrees. A large number of its faculty members hold only bachelor's degrees. Its remote location in the western part of China has attracted a growing number of tourists in recent years. However, most people going there remain tourists or visitors; very few have stayed and even fewer have gone there to contribute to teaching at primary, secondary, or tertiary levels. During my stay at Dali University and especially during my teaching and the conversations I had with administrators, professors, and students, I could feel their thirst for knowledge, for opportunities, and for improvement. I am very glad to have selected Dali University as my host university and I feel honored to have this opportunity to contribute my part to the development of western China. The lectures were all well received and they wanted me to go back again next year.

I taught at Dali University from May 29 to June 18, 2005. Originally I was to teach one class with one focus to one group of students. Then the University wanted to maximize my stay there and asked me instead to give a series of lectures at different schools so that more students and faculty members could benefit from this project sponsored by the OYCF. Dali University is quite remote from the coastal China and it doesn't regularly get guest lecturers from overseas. After consulting with the OYCF, I agreed to give multiple lectures at different schools. In the end I gave a total of nine lectures with each lasted for at least three hours. In addition, I also served as a consultant for Dali University on curriculum development issues for the mass communication program for School of Chinese Literature and for law and economic management at School of Law and Economic Management.

Lecture topics varied from media issues to international relations, higher education in the U.S., communication skills, and public and media relations. The topics include "Mass Media: Issues and Challenges" for School of Chinese Literature, "Images of the World: Why We See What We See" for School of Foreign Languages, "How to Maintain a Healthy Working Relationship with the Media" for School of Medicine and the University Affiliated Hospital in Dali, "How to Communicate with Others Effectively" and "American Higher Education" for School of Law and Economic Management, "Teaching Chinese as a Second Language" for School of Chinese

Literature, and “American Educational System: How Students Learn and Teachers Teach” for School of Education Science.

The lecture topics were either requested by the different schools or proposed by me initially and then discussed with the respective host school. They were finalized way in advance before my departure for Dali, so I had plenty of time to prepare for each of the lectures.

II. Communication, Education, and Media Relations

While the lecture topics were varied, there were common themes among them. Communication was a major focus in many lectures. We discussed different levels and types of communication, such as interpersonal communication, group communication, organizational communication, public communication, intercultural communication, gender communication, verbal and nonverbal communication, and mass media communication. Human beings cannot not communicate; however, not everyone understands how to communicate and many do not know how to communicate successfully. Not surprisingly, misunderstanding occurs more often than necessary. Interpersonal mistrust, gender conflicts, organizational brawls, and intercultural clashes can find their roots of problems in communication. An examination of the nature and different types of communication fascinated the students. Many were able to relate to the examples we used in class and gained new perspectives to look at ways of communication. Both students and faculty members agree that communication plays a vital role in human relations and world peace lies in part in the understanding of different peoples and their way of communication.

Another lecture topic was education and there were several lectures given on this topic. The lectures examined the educational systems, curriculum requirements, teaching methodology, teacher qualifications, and teacher-student relations both in China and in the U.S. The lectures compared the different aspects of education in both countries, discussed advantages and disadvantages of each system, and examined the results of each approach. While students in China tend to devote more time to study and have more book knowledge, students in America seem to enjoy more extracurricular activities and are more able to “do” things. American colleges and universities aim to train students to gain independent and critical thinking ability, leadership ability, hands-on ability, communication ability, and public speaking ability. Although not all students meet the requirement, the system is working toward that direction. Students at Dali University are bright but shy. They know quite a lot about many issues, but they tend not to articulate them willingly. This may be the result of years of schooling in China, or it may be a combination of schooling and society upbringing.

The lectures on mass media issues and challenges discussed the characteristics of communication today, media’s role in society, international news systems, American perspectives on the issues, and lessons for Chinese journalists. While the world of communication is becoming more and more high tech, digital divide is becoming more and more apparent. With technology, the world is becoming more and more connected; people are becoming disconnected at the same time. While there is more converging, there is also more diverging. We also discussed the problems media pose in disseminating information, creating stereotypes, reframing reality in a nonrealistic way, shaping public opinion, and influencing society in both short and long term fashions.

To facilitate understanding, the lectures introduced major theories in mass communication such as agenda setting theory, cultivation theory, theories on globalization and international information flow. The information flow in the world today is characteristic of one direction (from developed countries to developing countries), negative content, dominance by a few Western countries, and cultural invasion or cultural imperialism. With McDonald's, KFC, Coca-Cola, MTV, and Wal-Mart spreading to every civilization on earth, traditional cultures are threatened and family values are challenged.

On the issue of cultural imperialism, American views are varied. Some believe there is no cultural imperialism because information flow is free and free information flow is good for everyone. Even if the flow is one directional, it is still good for recipients. Another view on cultural imperialism is that cultural exchange has no effect because audience is active and it is the audience who decides what to read, listen to, watch, and enjoy. Media products are for entertainment only. On the other hand, one group of people recognizes the impact of pervasive invasion of cultural products from developed countries to developing countries. But they argue that it is business rather than governmental or ideological propaganda. Yet another argument states that there is cultural dominance, but it is not the United States that is dominating. Cultural products, especially soap operas, from Brazil and Mexico, are as popular, if not more, as in many Latin American countries. One view argues that it is technology that is driving the exchange and that the exchange of cultural products will eventually lead to democracy, which is good for mankind. Lastly, there is the hawkish view that agrees with the argument that there is cultural imperialism and cultural dominance and that it is the U.S. that is dominant. People who hold this view, including the Bush government's officials, are not apologetic. On the contrarily, they are proud of this dominance and have no intention to change it. They want to continue and expand this American dominance around the world.

For the lecture "Images of the World: Why we see what we see," we discussed the stereotypical images of different groups of people around the world, the formation of the images, the role media play in creating, shaping, and reinforcing those images. The images we have are mostly based on the images presented by the media. The media world today is dominated by a few conglomerates that control over 75% of what most people consume. With media portrayals of Chinese as "industrious and hard-working," Americans as "glamorous and independent," and Muslims as "fanatic and extreme," the world is reduced to mere labels. Understating the media requires going beyond the façade the media present.

School of Medicine and the two university affiliated hospitals made special requests for lectures on the relationship with the media because recently the relationship between the hospital and the media has been tense and sometimes even hostile due to complaints from patients for high costs and poor service and from doctors and hospitals for unreasonable patients, long working hours and low pay for doctors. The media were not being helpful in covering the two sides.

The lectures given to doctors, nurses, and hospital administrators discussed the nature of the media, the importance of keeping a healthy working relationship with the media, issues of crisis management, and differences between China and the U.S. in medical service. Sending news release to the media regularly, which is not done in China, is explained and emphasized to the audience and many administrators believe that is indeed a crucial and useful way to keep a positive working relationship with the media. Misdiagnose, mistreatment, malpractice, death, and corruption are some of the problems that can happen in hospitals and very often they may amount to crises. To deal with crises, hospitals need to keep the communication channels open, provide the media with information as it comes available, be frank with the public as well as the media, and never say “No comment” to brush off reporters. The lectures discussed the elements that may hamper crisis management and ideas and tips on dealing with the media during crisis. There are many differences in medical service and media practice between China and the U.S. Crowded hospitals, lack of medical facilities, inadequate medical training, insufficient funding from the government, and long working hours and low salaries for medical professionals may all contribute to the problems hospitals face in China. The same problems may also make patients unhappy and fretful. Media, always looking for “juicy” stories, may complicate the issues by going public on details. While more fundamental policy and structure reform is needed to address the problems confronting health professionals as well as patients in China, utilizing the media constructively can at least ease the problems temporarily.

III. A Learning Experience

After each lecture, there were extensive discussions on the issues addressed in the lecture and issues that were not addressed in the lecture. Questions and answers were a favorable part of the teaching since this is the time when real interaction occurs. Students at Dali University asked many questions regarding media in general and U.S.-China relations in particular, including media’s role in the relations between the two countries and my view on the media systems of the two countries. They also asked questions about the educational system in the U.S., challenged the Chinese way of teaching in the classroom, and reflected on their own studying behavior. Questions and answers sometimes turned into debates and I was pleased to see students gradually opening up and sharing views more freely as time went on.

In addition to teaching, I also assisted the University with the curriculum development. The consulting part for curriculum development started about a year ago when the administrators and some faculty members expressed their interest in developing some mass communication programs within the School of Chinese Literature. They decided to propose two new majors, journalism and public relations, for approval by the Chinese Ministry of Education. I helped them design the curriculum, worked out the details of courses to be offered and developed syllabi for some courses. After some extensive work, both of the two new majors have recently been approved by the Chinese Ministry of Education and Dali University is the only one that has these two majors approved. The two majors will have their first batch of students this coming fall.

Teaching at Dali University is also a learning experience for me. Although I go back to China almost every year, I am still amazed by the great achievement China has made in recent years. At the same time, I find the western part of China is still in dire need of development. Economically, it is behind many provinces, especially the coastal ones in China. In comparison, western part of China has an unfair share of disadvantages: low literacy level, high mortality level; low employment level, high poverty level. Schools and hospitals are unable to attract the best and brightest teachers and doctors to the area. Sometimes if they are lucky to have some teachers and doctors, they are unable to retain them. And Yunnan is not even the least developed province of all in China; Qinghai and Gansu may be further down the line. Even in Yunnan one finds how a little effort can go a long way. With the help of the Teaching Fellowship from OYCF, I was able to contribute my small part and I appreciated the opportunity greatly.

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Report on Teaching at Nanjing University

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Nanjing is famous for its hot summer, but its winter there is no less chilling. I arrived in Nanjing University (Nanda) by train in the dark evening on January 18, 2005, three days before the scheduled first class. Dr. Geng Qiang, an assistant professor in economics who is supposed to work with me, has been waiting in the lobby of Xiyuan hotel inside the downtown campus. The hotel building is actually the "international house" of Nanda. With so many English-speaking foreign students I felt as if I were already back at Berkeley.

Prof. Shen Kunrong, chair of economics department in the School of Business, has already made detailed preparation for the course. The course will last for one semester, but the teaching is concentrated in the first three weeks; for the rest of the semester students enrolled for credits will complete a short research paper. The teaching was rather intensive: three hours each time, three times a week in the three weeks.

My course, *Institutions, Developments, and Long-term Economic Growth*, is largely about the frontier research in the field of comparative economic systems and economic growth. Prof. Shen includes it as one of his *Series of Special Topics in Macroeconomics*, although the materials covered here is not necessarily confined to macroeconomics. Many ideas in this topic are quite theoretical, but the recent approach is rather empirical, meaning gathering data and running regressions to find causal relationships. I emphasize empirical studies because I am more familiar with this aspect of the topic and I feel students in China will gain more from trainings in empirics to prepare for their own research. I constructed a website (http://www.ocf.berkeley.edu/~tinglu/) with all papers downloadable in last November. Students planning to take the course were supposed to go over the required readings during their winter holiday.

The course was well-marketed, with an unprecedented number of enrollments in the business school for those selective courses. Nearly a hundred graduate students formally enrolled for credits; most of them are from the economics department, but some from other departments inside the business school, some from outside the business school, and even a few from outside Nanda. Some are part-time graduate students with full-time jobs in the government. For example, one student, an official in government, drove almost four hours every time from a remote city in Jiangsu province to attend the lecture. Although Nanda is one of the top universities in China, it lags far behind other top universities like Beida, Qinghua, and Wuhan University regarding economics education and research. The gap is getting even wider in recent years. This partially explains why I, an unknown Ph.D. student in economics from Berkeley (which seems not so well known in China), can attract so many ardent students to the class. No doubt I made the right decision to choose Nanda as my destination, a place with smart students but badly in need of instructors who can bring fresh knowledge.

As a Chinese saying put it, a good start means half of the success. I carefully prepared for the first class on Feb. 21 and it proved a good strategy. Powerpoint was employed, with pictures, graphs, stories, and provocative questions. Thanks to the training as teaching assistant for half a dozen years both at Beida and Berkeley, I am quite confident as an experienced teacher. I could feel that students have rarely exposed to this way of teaching because they have been used to busily taking notes of whatever the instructor read in the class. The course material is inherently interdisciplinary, as it asks questions on the relationship between economic growth and culture, geography, religions, and so on. To encourage such interdisciplinary exchange, and to help students to search for resources on campus, I invited Prof. Zhang Yulin, a sociology professor in Nanda and a foremost expert on China's education inequality, to the class to present his research, followed by my teaching on the relationship between education inequality and growth. Never have these students experienced this type of teaching before. They expressed such a passion as if they found invaluable treasures unnoticed for a long time yet just under their own feet.

Office hours were held in my hotel room just for convenience. Students waited in line to talk to me. Generally they came not for course materials, but their questions about economics study in general and economics education in the US in particular. Some expressed their concerns about the backwardness of the economics education in Nanda, some solicited suggestions on textbooks for self-study, and some asked forthright questions about how to get admission from US schools. Besides office hours, I also chatted with students for a while after every lecture, sometimes even during the 10-minute breaks. Such conversations are mutually beneficial: For one thing, I contribute to the personal and professional development of my students; For another thing, I also learned a lot from them about current China, their thinking, and facts and problems of their education system.

To satisfy their request, I changed the topic of last lecture to the introduction of postgraduate education system in the US, especially the business and economics education. I talked further about reforms in other universities such as Beida, in the hope that such message will be useful for Nanda's own improvement. I emphasized two points. First, professional and scholastic education should be separated at the postgraduate stage, so that different types of talents can be best developed without a waste of time and resources. Second, scholastic training should be extended to about five years without interruption in order to ensure academic rigor and consistency. Based on my observation, the problem, which of course not confined to Nanda, is the confusion about professional and academic training. Master students get only one year coursework before they begin to work on various projects with their advisors (every advisor has dozens of students to supervise). Many, perhaps most, of them do not have academic interests at all. But for those who are devoted to be scholars, such one-year coursework is too little to prepare them to be qualified scholars in the future. For example, I was surprised to find that students in my class lack of even the most basic knowledge in econometrics, and I was told that they, students from the master and doctoral programs, had finished their one-semester econometrics training and no other empirical classes would be offered.

Just before leaving Nanda, I was invited by Prof. Shen to give a talk to their undergraduate students majoring in economics. As in many universities in China, most undergraduate students from freshmen to juniors in Nanda live and study (and rather unfortunately in my view) in a suburb branch campus called Pukou, which is across the Yangtze River and about forty minutes drive. I introduced the basic methodology and some frontier research topics in economics. I also introduced the American education system, largely the same as what I talked in my lecture for graduate students in the main campus. My talk about abroad education was rather highly welcomed by those students in the isolated campus. During the Q&S part I was immersed by so many hands raised. Although tired, I felt quite delighted to bring useful messages to this younger generation (I am reluctant to mention that, but they are about ten years younger than me).

While in Nanda I also interacted with young faculties and some heads of the business school. Young faculties were eager to exchange their research ideas, so I encouraged them to form a discussion group in the form of luncheon to increase their internal exchange, and to improve their academic environment (just as some friends and I started up Berkeley China View three years ago). One of the heads of the business school, Prof. Fan Conglai, was interested in my comments on their institution. I expressed my opinions openly and suggested they put those academic-oriented students in a 5-year program combined by their master and doctoral programs, with coursework increased to at least two years. I have some other academic activities while in Nanjing. For example, I was invited to give a lecture on corporate governance for graduate students in Dongnan (Southeast) University's School of Economics and Management.

I left Nanjing for Shanghai on March 11, and flied back to SF the next day. The journey is over, but the task is not finished yet. Emails of all kinds of questions from my students come occasionally. Before the trip I persuaded myself to contribute as much as possible to Nanda, that's why I even happily agreed to help upgrade some of their courses by recommending new textbooks to them. From the trip I also got a lot: the warm welcome and careful arrangement by Prof. Shen, the excellent assistantship by Dr. Geng, the encouraging feedback and nice comments from those students and audience.

From my personal experience I appreciate OYCF's efforts more and more in brining us abroad to China in its teaching program. I wish OYCF keep working on this, gather more fund and make more offers. I also strongly encourage scholars abroad to apply to experience the marvel teaching trip. I suggest they choose universities with great potentials, but not necessary those frontrunners so that they make their largest contribution possible. I encourage that they not only bring knowledge of their majors, but also take with them other aspects of the outside world, such as the foreign education and academic system, cultures, and even social institutions.

Report on OYCF Teaching Fellowship Program

Wang Di

The first of all, I would like to thank OYCF Teaching Fellowship Committee again for awarding me this fellowship. I appreciate for the OYCF's financial support, which made this teaching trip at Nankai University more successful and joyful.

The course I taught at Nankai was "Theories, Methodologies, and Practice of Studying Modern Chinese Popular Culture," which was taught with interdisciplinary perspective. The topic was to meet the needs of Nankai University, which has a strong program of Chinese social history, but it lacks a course that can teach graduate students of new theories and methodologies and how to use them in their research. The course was a graduate reading seminar designed as advanced studies of the history of modern Chinese popular culture. The basic goal of this course was to help students understand various theories, methodologies, and writings related to folk traditions and culture, which are important parts of Chinese history. The students were also trained with interdisciplinary approaches, such as anthropology and sociology. The course led students to read important studies done by Western scholars.

In this course, students were required to read the following materials: Wang Di: "Dazhong wenhua yanjiu yu jindai Zhongguo shehui: dui jinnian Meiguo youguan yanjiu de shuping" [Popular culture and modern Chinese society: A review article on recent studies in the US] (*Lishi yanjiu* [Historical research], No. 5, 1999: 174-186); Wang Di, "Jietou wenhua, xiaceng minzhong ji gonggong shenghuo yanjiu de xianzhuang, ziliao he lilun fangfa wenti--yi Chengdu wei li" [Scholarship, sources, theories, and methodologies on study of street culture, lower-class people, and public life--Chengdu case] (Yang Nianqun et al. eds. *Xin Shixue: Duoxueke duihua de tujing* [New history: an interdisciplinary dialogue], vol. I, pp. 419-441, Beijing: Zhongguo renmin daxue chubanshe, 2003); Dorothy Ko, *Teachers of the Inner Chambers: Women and Culture in Seventeenth-Century China* (Stanford University Press, 1994. Chinese translation published by Jiangsu remin chubanshe); Philip Kuhn, *Soulstealers: The Chinese Sorcery Scare of 1768* (Harvard University Press, 1990. Chinese translation published by Shanghai sanlian); and Joseph Esherick, *The Origins of the Boxer Uprising* (University of California Press, 1987. Chinese translation published by Jiangsu remin chubanshe).

According to my experience and observation in Nankai, I feel the graduate students have a high quality, who study very hard and love their field. They are enthusiastic to learn more about theories, methodologies, and the state of the field. They were positive to ask questions during my teaching, which reflected their thoughtful insights. From the questions they asked, I could recognize that their reading and interest are broad. Although the course was urban and cultural history, it still attracted many students who studies political history, economic history, or rural history.

This course tried to reach the following goals: First, I tried to present a general history of Chinese popular culture and to show that Chinese culture has undergone a revolutionary change since the seventeenth century, reflecting social and economic transformation. Beginning with the collapse of the Ming dynasty and the Manchu conquest in the seventeenth century, China experienced rapid social, economic, and cultural development, as well as urbanization and population expansion. This was followed by the challenge of the Western powers, reforms and revolutions, communist victory, the construction of socialist society, and more recent reforms in the post-Mao era.

Second, I made en effort to let students understand better the recent scholarship on studies of popular culture in the West. After students took the course, they had more knowledge to understand how the historians explained the cultural transformation and how political and economic changes had impact popular culture and daily life. In the existing studies of modern Chinese politics, we have seen mostly elite activists, who held a prominent position and reputation in the reformist and revolutionary movements, while role of ordinary people in politics has scarcely explored. The new emphasis on the study of Chinese urban history, such as inland cities, the bottom rungs of society, the street and neighborhood, lower-class people, small units of social life, and public politics, can help us understand modern Chinese cities, social transformation, and cultural continuity.

Third, my teaching also emphasized the methodologies. I taught students the methodologies of collecting sources, using the materials, and analysis. How to handle written sources is a thorny issue in the study of popular culture. When we deal with popular culture, we should understand that the thoughts, the beliefs, and the aspirations of the peasants and artisans of the past reach us almost always through distorting viewpoints and intermediaries." This has led some scholars to raise the question, "Can the subaltern speak?" I believe it can, although this is highly dependent on how such sources are used. In general, one must recognize the nature and limitations of using written accounts to study popular culture and the lower classes.

During the teaching, I also shared my own research with students, which became one of the topics students felt interest and useful, shown at least from their feedback sheets. Most of studies of Chinese urban history have concentrated on political events, commerce and the economy, society and the state, or urban development and administration. We still lack an understanding of the lowest level of urban society and community life. My research shifts the focus of urban history from coastal to inland cities, from elites to ordinary people, from significant events to everyday life—especially public life—and from the top rungs of society to the lowest. I examine urban everyday life by investigating public space and popular culture to find out how Chengdu's commoners, social reformers, and local authorities brought about and reacted to changes in popular culture through their use of public space. These shifts can help us understand Chinese cities from a different angle and can open a new window to look at the cities in modern China.

During my teaching, I specially discussed popular culture, daily life, and lower-class people in inland cities. Students saw that life in public spaces—the site of the most visible cultural displays—was radically transformed in the early 20th Century, which resulted in the reconstruction of urban public space, recreation of people's public roles, and the redefinition of the relationship among ordinary people, local elites, and the state.

I used my own studies as examples how to apply the theories and methodologies discussed in the course. My studies reveal that commoners' everyday life typically was tightly connected to streets and teahouses, and that the people of Chengdu created and enjoyed a rich street and teahouse culture. Urban residents, especially the poor, used the street as their shared space for everyday commercial, recreational, and ceremonial events. With the onset of social change, reformers who had been influenced by Western culture sought to regulate the use of public space, and commoners had to struggle to maintain their claim to the street. While during the 1911 Revolution commoners used the streets for political protest, they organized for self-protection when warlords and armed soldiers occupied public spaces in the 1910s and 1920s. Throughout this process, Chengdu's streets underwent significant physical and cultural changes while continuing to play a critical role in urban life.

From this course, students also found that as Chinese cities were politically transformed in the early 20th Century, the inland cities developed an unprecedented connection to national politics. I examine how the reformist and revolutionary movements drew the street, teahouse, and commoners into their political orbit; how street culture and teahouse culture were transformed into street and teahouse politics; and how both elites and commoners redefined their public role mainly through addressing conflicts between the state and commoners and between the state and elites. We have seen that during this period—although street and teahouse culture and public life continued— the street and teahouse were no longer just a place for livelihood, everyday life, and amusement, but became an arena for political conflict as well. Commoners' activities on the street and in the teahouse were exploited to further local political struggles.

In the field of Chinese history, the focus has been primarily on how elite thought influenced politics, and how the relationship between popular culture and local politics could provide an opportunity to observe social transformation from another angle. Political uncertainty deteriorated public order and gradually damaged the stability of the neighborhood and community; conflicts increased between sexes, classes, and ethnic groups throughout the city. However, we should also realize that political changes opened up the relatively isolated society and brought new social, economic, and cultural elements as well. Inland cities provide an excellent examples of how politics can influence everyday life and underscores the importance of including politics in the study of popular culture.

I also discussed the problems when we study popular culture. But when we try to enter the bottom levels of the society, we face many difficulties. One major obstacle in the study of street culture and teahouse life is the difficulty in collecting and interpreting data. As we know, Chinese history was transmitted by members of the elite class; information on the everyday lives of commoners is virtually absent from standard historical accounts both locally and nationally. Overcoming this obstacle means sifting useful information from tremendous amounts of primary and secondary data sources. More challenging, however, is the interpretation of the data, almost all of which was generated by members of the elite class. In other words, the descriptions of commoners and their culture originated from elites, although the primary subject is the commoner.

Therefore, the second issue logically emerges: Any study of street culture and teahouses confronts the issue of how to distinguish popular culture from elite culture. Although historians are virtually unanimous in acknowledging a distinction between the two, the definition of each has long been the subject of scholarly debate. Scholars of China suggest that popular culture embodies a broad meaning, extending "from domestic architecture to millenarian cults, from irrigation techniques to shadow plays." The popular culture discussed in my studies of street culture and teahouses is that created by and for commoners. In a premodern society, regional and local aspects of culture were strikingly different because there was relatively less cultural exchange. Therefore, popular culture was often linked with "folk culture." According to Antonio Gramsci, there are three categories of popular songs in folk culture: songs "composed by the people and for the people;" those "composed for the people but not by the people;" and those written "neither by the people nor for the people, but which the people adopt because they conform to their way of thinking and feeling." My main focus is the first category, although, as Herbert Gans points out, "many popular culture creators are better educated than their audiences" and thus one sometimes must consider cultural artifacts that fall under Gramsci's second and third categories.

The third issue we should emphasize is whether or not regional or local studies could provide a universal pattern of our understanding of the city and urban life in China. Microhistory is significant because it can raise case studies to a level that could provide a generalization of urban history and enrich our understanding not only of Chengdu, but also of other Chinese cities. As I have mentioned, because of the complexity of China's geographical, economic, political, cultural, and social characteristics, phenomenon both of commonality and exception should be put under consideration. Finally, studying the most basic units of society and entering deep inside the city should not prevent us from examining general and significant events. On the one hand, studies of lower-level society lead us to the bottom of the city to observe phenomena that have been little explored. On the other hand, studies of significant events enhance our understanding of the relationship between politics and daily life. Therefore, when I focus on urban commoners, streets, or teahouses, the elite class, the state, and political movements are inevitably brought into my discussion. Such a combination makes us pay attention to macro-historical questions when we study events from a perspective of microhistory.

I evaluated students' work in the course according to the following weightings: 1) Students were required timely, thorough and careful reading of the assigned materials and regular attendance at and active participation in class discussions, including some preparing of questions and reporting on reading. 2) Students were asked to report on their readings, which usually ran from 10-15 minutes and were related as closely as possible to the general topic under consideration. Students were prepared to handle any questions generated by their reports. 3) Students completed a review paper (typed, double spaced and each approximately 8-10 pages in length). Students were evaluated on class participation and contributions and on written assignments. Final grades were based on the following evaluations: participation in class 50% and review paper 50%.

Of course, this course had some needed improved. Students should be given more opportunities to express their ideas and to discuss the topics. Students should also be given a chance to finish a research paper so they would have used what they learned from class to practice their research and writing skills. Also, I felt I might talk too much the theories in the West, which students might have a problem to handle. I should have understood that if we gave students overwhelming information without enough explanation and discussion, they might have difficulties to digest what they were given. However, I still feel this teaching experience was worthy and awarding, benefiting not only students but also myself.

Teaching Report "Financial Market Risk Premia and Empirical Estimation Method" by Hao Zhou, October 30, 2005.

In September 2005, I taught a short course at China Center for Economic Research (CCER) of Peking University, thanks to the generous financial support from OYCF-Gregory C. and Paula K. Chow Teaching Fellowship. I arrived in Beijing on August 30 and left there on September 28, with a short excursion to Shanghai. The teaching trip achieved its original goal of disseminating the core empirical asset pricing methodology to promising graduate students, and exceeded my expectation of exchanging research ideas with faculty within CCER and beyond.

Support from CCER

Upon arrival CCER had arranged my course on asset pricing both as a part of their fall series of "Economic Theory and Policy Discussion Seminar" and as a critical component of the fall graduate research workshop course. Office room, computing resource, telecommunication, and administrative support are generously provided. One teaching assistant and another PhD student were assigned to help me with course. The course announcement was posted on line at CCER website on theory and policy research seminar series (http://ccer.pku.edu.cn/cn/ReadNews.asp?NewsID=5216), and has received the highest web visits from early June to late October. Many outside scholars and students were able to get in tough with CCER and audited my short course on asset pricing puzzles.

Course and Teaching

The purpose of this short course is to introduce empirical challenges in asset pricing literature, and to present some solutions based on some leading research and my own relevant papers. Targeted audience is master and doctor students in the fields of economics and finance. The main purpose of this lecture series is to generate research ideas that can be developed into thesis topics or journal publications. Through out the lectures, many faculty and scholars both within and outside CCER have also attended and exchanged very useful research ideas related to the course topics.

Part I --- An Overview of Asset Pricing Puzzles

The first lecture introduces the main challenges in empirical asset pricing literature: equity premium puzzle (stock market index) --- why historical US equity market excess return is as high as 6-7%, expectation hypothesis puzzle (government bond) --- why the long and short term interest rate differential does not predict the future interest rate changes, and credit premium puzzle (corporate bond) --- why corporate default risk factors explain so little of the bond credit spreads. Materials are drawn from chapters in books by Cochrane "Asset Pricing" 2001, Duffie "Dynamic Asset Pricing Theory" 2001, Campbell, Lo, McKinley "The Econometrics of Financial Markets" 1997, and Ingersoll "Theory of Financial Decision Making" 1987. The first lecture is given on September 8, and is well attended with registered graduate students about 25-30, and another 30-40 students and scholars from other departments or other universities (like Beijing University of Science and Technology) audited this lecture. Although the topics of empirical asset pricing puzzles are somewhat technical and challenging, the introductory class mostly used empirical examples with illustrative figures and tables. I was very impressed by the active responses from the students, for both the substantive questions (like "…does my approach simultaneously address the equity premium puzzle and the risk free rate puzzle…") and the technical questions (like "...if the log pricing kernel remains stationary…"). After the first session I started to get acquainted with my students.

Part II --- Volatility Dynamics, Preference Shock, and Market Return.

The main material is drawn from the working paper "Dynamic Estimation of Volatility Risk Premia and Investor Risk Aversion from Implied and Realized Volatilities" by Bollerslev, Gibson, and Zhou 2005. The background readings are "By Force of Habit: A Consumption Based Explanation of Aggregate Stock Market Behavior" by Campbell and Cochrane 1999 (*Journal of Political Economy*), and "Risk for the Long Run: A Potential Resolution of Asset Pricing Puzzles" by Bansal and Yaron 2004 (*Journal of Finance*). The basic idea is that preference shock is important in explaining various asset pricing puzzle, especially the equity premium puzzle; and by studying the time-varying volatility risk premia we may get a handle on how preference changes over time and how it affect the stock market valuation. The second lecture was mostly attended only by the CCER graduate students about 30 or so, on September 15. The material of this lecture was somewhat difficult and abstract, and not all students took it really well, mostly because it involved derivative contracts written on realized equity volatility and continuous-time data econometrics. One student raised an interesting question on whether the risk premium, as measured by the covariance between volatility process and pricing kernel, should include or exclude the risk free rate. A professor from CCER gives a helpful suggestion on how to improve the paper by borrowing certain empirical macro approach like the impulse-response analysis.

Part III --- Regime-Shifts, Risk Premium, Business Cycle, and Term Structure.

The third lecture is based on "Regime Shifts, Risk Premium in the Term Structure, and the Business Cycle" by Bansal, Tauchen, and Zhou 2004 (*Journal of Business and Economic Statistics*). Other related readings include "Term Structure of Interest Rates with Regime Shifts" by Bansal and Zhou 2002 (*Journal of Finance*) and "Specification Analysis of Affine Term Structure Models" by Dai and Singleton 2000 (*Journal of Finance*). The main theme of this lecture is about the systematic risk premium embedded in the term structure of interest rates, and how to relate the changes in yield spread to business cycles. This lecture was jointly hosted by both the CCER and the School of Economics on September 20. The material of this lecture is better received by the audience than the last one, perhaps because the business cycle effects in both US and China share the same boom-bust pattern, and the students could better relay to it from other courses they had taken before. One faculty member raised the possibility that similar Expectation Hypothesis puzzle for US may not hold for Japan or other countries.

Another student commented that regime shifts in interest rates do not seem to predict the economic recessions, particularly in early 1980s when the US monetary policy went through a structural change. After the class, I had conversations with some professors from School of Economics, and discussed possibilities for future co-operation in research and teaching.

Part VI --- Volatility Risk, Jump Risk, and Credit Spread

The last lecture is based on the paper “Explaining Credit Default Swap Spread with Equity Volatility and Jump Risks of Individual Firms” by Zhang, Zhou, and Zhu 2005 (*Working Paper*), with additional reading materials from “Equity Volatility and Corporate Bond Yields” by John Campbell and Glen Taksler 2003 (*Journal of Finance*) and “Structural Models of Corporate Bond Pricing: An Empirical Analysis” by Eom, Helwege, and Huang 2004 (*Review of Financial Studies*). This session focuses on the corporate default risk embedded in the corporate bond spreads over the default-free treasury securities. In particular, it emphasizes the equity volatility and jump risks in explaining the corporate default spreads. The material of this lecture is received well, and some students even showed interests in how to implement the proposed jump-diffusion model in actual estimation. Although, some students questioned whether my paper really resolves the credit premium puzzle --- that default risk factors explain very little default credit risk spreads, and in my paper the market equity risk does not necessarily equal to the asset default risk. Some outside students from People (Renmin) University and Chinese Academy of Social Sciences also attended the last session. My last lecture ended on September 27.

Critique Session

Since my course is integrated by CCER into their fall semester graduate research workshop series, I also modified the homework assignment to be consistent with the semester course’s requirement --- 70% attendance overall for each student, critique of the papers discussed in the lectures, and/or presentations of students’ own term papers or research projects. Note that students are not restricted to select the papers that are presented in the lecture series.

These critique sessions were held every Monday evening from 7:00pm to 10:00pm. In each session, there are two papers (or projects) to be presented, with 20-30 students attending and 5-10 faculty members (including me) present to offer constructive suggestions or promote promising research ideas. English was the working language for these workshop sessions.

Two occasions are worth mentioning. During one session, a student presented an outside research paper that used the exogenous “distance to technology frontier” to explain different development strategies adopted by various countries. I made a suggestion that such an exogenous “distance to technology frontier” can be endogenized as determined by comparative advantages of factor endowment. On another time, one student presented his own term paper on a two-sector growth model based resource depletion technology to explain failure development strategy of the command-and-control economies; while other students criticized that the dynamic equilibrium may not exist or be stable in this paper. This indicated to me that students are well prepared in their mathematical skills relevant for economic modeling.

Student Feedback

At the end of the lectures, I received 22 course evaluations forms. I encouraged the students to criticize my teaching method. Here is a brief summary.

One main disadvantage, as iterated by most students is that the course is too short, so there isn't enough time to introduce more basic materials and concepts. Although most students liked the course, some complained that it may be too difficult or too advanced, especially for students not in the finance field. The derivation of the main result is not adequately shown during the lecturing. Most students like the in-class discussion and flexible format, and hope for more students' participation and interaction. Some students suggested that the class can be extended to the whole semester, given enough founding and other support, such that the professor may be able to introduce the material more slowly in a systematic fashion. Also it was suggested the more homework, more office hour, and perhaps research projects conducted by students and supervised by the teacher, are mostly desirable for advanced students interested in the finance field.

In short, it seems a semester long course with research projects as homework would best serve the students' need.

Exchange Activity

In addition to the teaching related activity, I also met with some CCER faculty individually, or in a group at Monday lunch meetings. It helped me to understand more about the CCER overall teaching and research profiles, as well as what are the specialties of each professor.

I was also invited to give a seminar at the Antai School of Management of Shanghai Jia Tong University. The department of economics and finance hosted this event, and the topic was the same as the first lecture I gave at the Peking University "An Overview of Asset Pricing Puzzles". The students strike me as very well prepared technically. As mentioned earlier, the third lecture at CCER is co-organized with the School of Economics.

Other relevant meetings and useful discussions were held with individuals from China Construction Bank, Citibank China, and China Banking Regulatory Commission, etc.

Conclusion

My intention for this teaching trip to CCER is to use it as test case, to see whether a more structured course in empirical finance can be well received by the students in a top school like Peking University. My impression is that most students seem to like such a course, and there seems to be enough interest for extending such a one-month short course to a regular one semester course, with a student presentation session, directed research project, and final term paper. Also, it seems that students are well prepared in terms of their economics background and mathematical skills. What they lack is proper guidance how to generate good idea from reading the literature and observing the facts, how to implement a research project and get useful empirical results, and how to write a nice paper based on these results. A well prepared full-length teaching plan should address these issues adequately.

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