

# **Intermediate Macroeconomic Theory - Syllabus**

**Spring 2018**

**National School of Development, Peking University**

## **Administration Information**

**Instructor:** *Junjie XIA*

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**Teaching Assistant:** TBD

## **Course Description**

### **• Audience and prerequisite**

This course is designed to undergraduate students who are interested in learning macroeconomic theories and models, and applying macroeconomics to address current macroeconomic issues. The prerequisite is the first year economic theory. Although it is not required, having basic knowledge on calculus and econometric methodology is highly encouraged.

### **• Course Objectives**

The primary goal of this course is to teach students macroeconomic concepts and theories at the intermediate level, and to help students develop a consistent way of thinking about key macroeconomic phenomena and policies.

By the completion of this course, students are expected to address the following type of questions: 1) what are the driving forces of economic growth? What explains the large differences in economic performance across different countries of different times? 2) How does the monetary system work? What are the determinants of inflation? 3) Why do macroeconomic activities fluctuate? How do different shocks affect output, investment, consumption and employment over the business cycle? 4) Why are people employed and unemployed? How the government deals with unemployment? What causes inequality – income inequality, wealth inequality and consumption inequality? 5) What is the role of financial markets in the macro-economy? What causes financial crises? What are the aggregate consequences of the 2007-2009 financial crisis?

### **• Course Plan**

This course can be structured into two main parts: theories and applications. Students will learn macroeconomic theories and models at the setting of upper

undergraduate level, such as the Solow growth model and real business cycle model. In addition, there will be cases study, in which students could apply what they have learned from the textbook to the real world, such as the 2007-09 global financial crisis and 4 trillion RMB economy stimulus plan in China.

In order to develop students' interests in the data analysis and macroeconomic research, I will introduce relevant database that is often used in the macroeconomic analysis, such as aggregate data in OECD database and World Bank database, and households survey data in China. At the end of each topic, I will also discuss certain modern macroeconomic research papers, such that students will have opportunities to expose themselves to the advanced level macroeconomic research.

**Textbooks** (not required)

"Macroeconomics", by *N. Gregory Mankiw*

"Macroeconomics", by *Charles Jones*

"Macroeconomics: Policy and Practice", by *Frederic S. Mishkin*

"Advance Macroeconomics", by *David Romer*

"Handbook of Macroeconomics", Volume 2 (2016), *John B. Taylor and Harad Uhlig*

**Course Policy**

• **Grading**

Class Participation	4%
Homework	16%
Project	5%
Midterm Exam	25%
Final Exam	50%

• **Class Participation**

Students are expected to attend all classes at their scheduled time and be responsible for all assigned materials. I will randomly check the class attendance. Two absences will cost you 1%. Medical or other extenuating excuses are granted upon valid documentary proofs.

• **Homework**

There will be ten assignments. The best eight scores will be counted into your grade (2% per each assignment). Students must turn in all ten assignments. Missing one submission will be deducted by 2% from the total homework points.

• **Project**

There will be a group project. Students are required to form project groups (3 to 5 students per group, depending on the size of our class). Each group has to write a

paper on a macroeconomic topic (3 to 5 pages). You are free to choose any topic, but the topic has to be related to macroeconomics. For example, you may write about the aggregate consequence of 2007-09 global financial crisis; the impact of joining WTO on China's economy growth; or pros and cons of "the Belt and Road Initiatives" policy in China. Topics on recent events are encouraged.

- **Examinations**

There will be one midterm exam and one final exam. The midterm exam covers specific chapters that will depend on the teaching progress and will be announced in class. The final exam is cumulative and covers all materials.

Students must take all exams as scheduled. There will be no make-up exams unless a student can provide valid documentation to support such an excuse for the absence. The exams' schedule is the following (subject to change):

Midterm Exam	04/20/2018
Final Exam	06/22/2018

## **Course Outline**

### **I. Introduction**

- a) What's Macro? Why Macro?
- b) A review of current Macro events

### **II. Macroeconomics Basics**

- a) Aggregate production and productivity
- b) Saving and investment
- c) Money and inflation

### **III. Growth Theory – The Economy in the Very Long Run**

- a) The source of growth
- b) Solow model
- c) Driving forces

### **IV. Business Cycle Theory: The Economy in the Short Run**

- a) Introduction to economic fluctuations
- b) Monetary policy and aggregate demand
- c) Keynesian theories of money demand
- d) Philips curve and aggregate supply
- e) AD-AS model

## **V. Macroeconomics and Finance**

- a) The role of financial system
- b) Financial crises and Macro economy
- c) Financial globalization and growth

## **VI. Labor Markets and Unemployment**

- a) Supply and demand model of the labor market
- b) Sources of unemployment

## **VII. Inequality**

- a) Measurements
- b) Income inequality, wealth inequality and consumption inequality
- c) Inequality in China

### **Data Introduction:**

OECD database; World Bank database; The World Bank's Doing Business database; Chinese Industrial Enterprises Survey; Chinese Customs Database; U.S. CompuStat Database; Chinese Households Survey (CFPS, CHIP and CHFS)

### **Cases Study:**

- 1) Can GDP buy happiness?
- 2) Why are some country rich and others poor?
- 3) Debate on industrial policy intervention.
- 4) Is China a counter-example to the importance of financial development to economics growth?
- 5) Financial crises in emerging markets.
- 6) The 2007-2009 global financial crisis
- 7) The 4 trillion RMB economy stimulus plan in China
- 8) Automation and impacts
- 9) Housing prices and infrastructure investment in China
- 10) Inequality in China

### **Reading Reference (not required):**

#### **• *General Macroeconomics***

- 1) "*Business Cycle Research: Methods and Problems*", Edward C. Prescott, 1998
- 2) "*The Trouble with Macroeconomics*", Paul Romer, *The American Economist*, 2016

#### **• *Economic Growth***

- 3) "*Endogenous technological Change*", Paul M. Romer, *Journal of Political Economy*, 1990

- 4) "Why do some countries produce so much output per worker than others?" Robert Hall and Charles Jones, *Quarterly Journal of Economics*, 1999.
- 5) "Does schooling cause growth?" Mark Bilal and Pete Klenow, *American Economic Review*, 2000
- 6) "Sources of U.S. economic growth in a world of ideas", Charles Jones, *American Economic Review*, 2002
- 7) "Misallocation and manufacturing TFP in China and India", Chang-Tai Hsieh and Pete Klenow, *Quarterly Journal of Economics*, 2009
- 8) "Beyond GDP? Welfare across Countries and Time", Pete Klenow and Chad Jones, *American Economic Review*, 2016

- **Business Cycles**

- 9) "Agency costs, net worth, and business fluctuations", Ben Bernanke and Mark Gertler, *American Economic Review*, 1989
- 10) "Fluctuations in Uncertainty", Nick Bloom, *Journal of Economic Perspectives*, 2014

- **Labor Markets and Unemployment**

- 11) "The Global Decline of the Labor Share", Loukas Karabarbounis and Brent Neiman, *Quarterly Journal of Economics*, 2014
- 12) "Why are there still so many jobs? The history and future of workplace automation", David H. Autor, *Journal of Economic Perspectives*, 2015

- **Macroeconomy and Finance**

- 13) "Credit Cycles", Nobuhiro Kiyotaki and John H. Moore, *Journal of Political Economy*, 1997
- 14) "Deciphering the Liquidity and Credit Crunch 2007-2008", Brunermeier Markus, *Journal of Economic Perspectives*, 2009
- 15) "Macroeconomics with Financial Frictions: A Survey", Brunermeier Markus, Thomas Eisenbach, Yuliy Sannikov, 2012
- 16) "Macroeconomic Effects of Financial Shocks", Urban Jermann and Vincenzo Quadrini, *American Economic Review*, 2012