Peking University

National School for Development

北京大学国家发展研究院

**China and the Global Economy: Theory and Practice**

中国与全球经济：理论与实践

**Draft**   
**Spring 2025 | Mondays, 14:10 - 17:00 | Location: To Be Announced**

**Faculty**

Alfred Schipke | *Email*: aschipke@nsd.pku.edu.cn  
Office Hours: Saturdays (Appointments required—contact the teaching assistant by Friday evening)

**Teaching Assistant**

TBC | *Email*: TBC  
Office Hours: TBC

**Course Overview**

Over the past decades, China has been integrating globally through trade and supply chains and has benefited from foreign direct investments. At the same time, China has provided financing to other countries in the world and more recently, there has been an increase in oversees direct investment (ODI). Given that China accounts for about 18 percent of global economic output (in PPT terms), contributes about 30 percent to global growth, and is the largest trading partner for some 120 countries, economic developments and policies in China have both domestic and global implications. At the same time, given China’s linkages to the rest of the world., global shocks can be transmitted to China.

This course analyses macroeconomic topics that are relevant both for China’s and the globally. The course will focus on fiscal issues and public debt, monetary policy and monetary policy transmission, the financial system, macro-financial linkages, and the international financial system. The course combines theory with practical policy questions and uses case studies. Students will engage in critical evaluation of journal articles, policy discussions, and case studies to enhance their understanding and application of these concepts.

**Requirements and Grading**

1. **Course Paper** (50%): Analytical or econometric research on a macroeconomic or financial topic relevant to China and the global economy.
2. **Policy Note** (30%): A short group presentation on China/global economic developments.
3. **Class Participation** (20%): Active engagement in discussions, demonstrating preparation and understanding of the readings.

**Course Materials**

This course is based on journal articles, policy papers, and reports. Recommended textbooks for reference:

* Obstfeld, Maurice, and Kenneth Rogoff. *Foundations of International Macroeconomics*. Cambridge: MIT Press.
* Mankiw, N. Gregory, and Laurence Ball. *Macroeconomics and Financial Systems*.

**Course Schedule and Readings**

**Session 1 – Monday, February 17, 2025**

**The Global Economy: Setting the Stage**

1. IMF. *World Economic Outlook* (January 2025 Update). Link (forthcoming).
2. IMF. *Global Financial Stability Report* (October 2024). Link.
3. Lucas, Robert. 1990, Why Doesn’t Capital Flow from Rich to Poor Countries? American Economic Review 80.2: 92-96.
4. Giovanni Melina (2024). *Mapping the World's Readiness for Artificial Intelligence*. IMF Working Paper. Link.
5. Adrienne, Tobias (2024). *Artificial Intelligence and Financial Stability*. IMF Paper.
6. Bremmer, Ian. *Globalization Isn’t Dead*. *Foreign Affairs*, 2022. Link.
7. Lane, Philip R. and Gian Maria Milesi-Ferretti. 2007. *The external wealth of nations mark II: Revised and extended estimates of foreign assets and liabilities.*, 1970-2004. Journal of International Economics, Elsevier 73.2. 223-50 (November).Chinn, M
8. enzie D. and Hiro Ito, 2006, “What Matters for Financial Development? Capital Controls,
9. Institutions, and Interactions,”
10. Journal of Development Economics
11. , Volume 81,
12. Issue 1, Pages 163
13. –
14. 192 (October)
15. ,
16. http://isiarticles.com/bundles/Article/pre/pdf/12473.pdf
17. Magud, Nicolas E
18. ., Carmen M.
19. Reinhart, and
20. Kenneth
21. Rogoff, 20
22. 11
23. , “Capital Controls: Myth and
24. Reality
25. a
26. Portfolio Balance Approa
27. ch to Capital Controls,”
28. NBER Working Paper 16805.
29. http://www.nber.org/papers/w16805
30. Obstfeld, Maurice, 2012, “Does the Current Account Still Matter?”
31. American Economic Review
32. ,
33. Vol.
34. 102
35. , No.
36. 3
37. , pp. 1
38. –
39. 23,
40. https://www.aeaweb.org/articles?id=10.1257/aer.102.3.1
41. Gourinchas, Pierre
42. -
43. Olivier, Hélène Rey, External Adjustment, Global Imbalances, Valuation Effects,
44. Chapter 10,
45. In: Gita Gopinath,
46. Elhanan Helpman and Kenneth Rogoff, Editor(s), Handbook of
47. International Econom
48. ics, Elsevier, 2014, Volume 4, pp.
49. 585
50. –
51. 645
52. ,
53. http://www.sciencedirect.com/science/journal/15734404?sdc
54. =1
55. Chinn, Menzie D. and Hiro Ito, 2006, *“What Matters for Financial Development? Capital Controls, Institutions, and Interactions,*” Journal of Development Economics,Volume 81, Issue 1, Pages 163, 192 (October). <http://isiarticles.com/bundles/Article/pre/pdf/12473.pdf>

**Session 2 – Monday, February 24, 2025**

**Fiscal Policy and Debt**

1. IMF. *Fiscal Monitor* (October 2024). Link.
2. Panizza, Ugo, Federico Sturzenegger, and Jeromin Zettelmeyer. (2009). *The Economics and Law of Sovereign Debt and Default*. *Journal of Economic Literature*, 47(3): 651-698.
3. Schipke, Alfred, and Guo Kai (2024). *What Can China’s Local Governments Learn from Greece and the Euro Crisis?* EAI Commentary.
4. Feyrer, James and Jay C. Shambaugh. 2009. Global Savings and Global Investment: The Transmission of Identified Fiscal Shocks. NBER Working Papers 15113.
5. Selassie, Abe; Andrea Hume, and Alfred Schipke. 2025 (forthcoming); Africa and China Economic Linkages
6. Panizza, Ugo, Federico Sturzenegger, and Jeromin Zettlemeyer. 2009. The Economics and Law of Sovereign Debt and Default. Journal of Economic Literature 47(3): 651-98.
7. Jeremy, Bulow and Kenneth Rogoff. 1989. Sovereign Debt: is to Forgive to Forget? *American Economic Review* 79 (1): 43-50
8. Reinhard, Carmen M. Kenneth S. Rogoff, and Miguel A. Savastano. Debt Intolerance, Brookings Papers on Economic Activity. 2003.1. 1-75.

**Session 3 – Monday, March 3, 2025**

**Monetary Policy, Transmission, and Communication**

1. Shambaugh, Jay C. 2004. The Effect of Fixed Exchange Rates on Monetary Policy. The Quarterly Journal of Economics, MIT Press, 119.1: 300-351 (February)
2. Obstfeld, Maurice, Jay C. Shambaugh, and Alan M. Taylor. 2005. The Trilemma in History: Tradeoffs Among Exchange Rates, Monetary Policy, and Capital Mobility. Review of Economics and Statistics 87.3: 423-438 (December).
3. Romer, Christina D. and David H. Romer. 1994. Monetary Policy Matters. Journal of Monetary Economics 33: 75-88 (August).
4. IMF (2024), World Economic Outlook, Chapter 2. The Great Tightening: Insights from the Recent Inflation Episode, October 2024,
5. Ireland, Peter (2005). The Monetary Transmission Mechanism, Federal Reserve Bank of Boston, WP
6. Pan Gongsheng 2014: *China's current monetary policy stance and evolution of monetary policy framework in the future,* BIS <https://www.bis.org/review/r240621c.pdf>
7. Zhou Xiaochuan (2016). *Michael Camdessus Central Bank Lecture*. [Link](https://www.imf.org/en/News/Articles/2016/07/06/17/45/SP062416-Xiaochuan-Zhou-Michel-Camdessus-Central-Banking-Lecture).
8. Schipke (2019), China’s Monetary Policy Communication, The Future of China’s Bond Market, IMF
9. Turunen, Monetary Policy Communication in India in Schipke 2023
10. Obstfeld, Maurice, Jay C. Shambaugh, and Alan M. Taylor. (2005). *The Trilemma in History: Tradeoffs among Exchange Rates, Monetary Policies, and Capital Mobility*. *Review of Economics and Statistics*, 87(3): 423-438.
11. IMF. *World Economic Outlook, Chapter 2: The Great Tightening*. (October 2024). Link.

**Session 4 – Monday, March 10, 2025**

**Macro-Financial Linkages**

1. Claessens, Stijn, and M. Ayhan Kose (2018). *Frontiers of Macrofinancial Linkages*. IMF Working Paper.
2. Kose, Ayhan, Eswar Prasad, Kenneth Rogoff, and Shang-Jin Wei. (2010). *Financial Globalization: A Reappraisal*. *Journal of International Economics*, 73(2): 273-322.
3. Ha, Jongrim, M. Ayhan Kose, and Franziska Ohnsorge. (2020). *Global Macro-Financial Cycles and Spillovers*. NBER Working Paper No. 26798. [Link](http://www.nber.org/papers/w26798).
4. Dell‚ Ariccia, Giovanni and Others. 2010. Reaping the Benefits Financial Globalization, in: Crowe, Christopher and Others (Eds) 2010. Macro-financial Linkages: Trends, Crises, and Policies, IMF (Washington, D.C).
5. Kose, Ayhan, Prasad Eswar, Kenneth Rogoff, Shang-Jin Wei. 2010. Financial Globalization: A Reappraisal: 273-322. in: Crowe, Christopher and Others (Eds). 2010. Macro-financial Linkages: Trends, Crises, and Policies, IMF (Washington, D.C).
6. Jongrim Ha M. Ayhan Kose Christopher Otrok Eswar S. Prasad (2020), Global Macro-Financial Cycles and Spillovers, Working Paper 26798, http://www.nber.org/papers/w26798
7. [Shesadri Banerjee](https://scite.ai/authors/shesadri-banerjee-Mz2OL9), [Jayanthi K. Anand](https://scite.ai/authors/jayanthi-k-anand-ONWRLA), and [Shashanka Bhide](https://scite.ai/authors/shashanka-bhide-5Y50aa)(2020)Estimation of Macro-financial Linkages for the Indian Economy, in: [*Journal of Emerging Market Finance*](https://scite.ai/journals/0972-6527)
8. Habermeyer, Karl, et. al. 2017. Capital Account Opening and Capital Flow Management, in: Lam, Raphael, Markus Rodlauer, and Alfred Schipke, Eds, Modernizing China: Investing in Soft Infrastructure, Washington, D.C. (IMF): 215-247.

**Session 5 – Monday, March 17, 2025**

**Financial Systems and Crises**

1. Levine, Ross. (2002). *Bank-Based or Market-Based Financial Systems: Which is Better?* *Journal of Financial Intermediation*, 11(4): 398-428.
2. Acharya, Viral V., and Philipp Schnabl. (2010). *Do Global Banks Spread Global Imbalances? Asset-Backed Commercial Paper during the Financial Crisis of 2007-09*. NBER Working Paper No. 16079. Link.
3. Diamond, Douglas W. and Raghuram G. Rajan. 2000. Banks, Short-term Debt, and Financial Crisis.
4. Diamond, Douglas and Philip Dybvig. 1983. Bank runs, deposit insurance, and liquidity, Journal of Political Economy 91 (3): 401-19.
5. Reinhard, Carmen M. and Kenneth S. Rogoff. Banking Crises: An Equal Opportunity Menace, NBER Working Papers 14587.
6. Gourinchas, Pierre-Oliver and Maurice Obstfeld. 2012. Stories of the Twentieth Century for the Twenty-First. American Economic Journal: Macroeconomics 4.1: 226-65
7. ***Case study:*** U.S. savings and loan crisis

**Session 6 – Monday, March 24, 2025**

**International Monetary System**

1. IMF. (2016). *Strengthening the International Monetary System: A Stocktaking*. Link.
2. Farhi, Emanuel, Pierre-Olivier Gourinchas, and Helene Rey. 2011. Reforming the International Monetary System, CEPR Research Paper.
3. Eichengreen, Barry and F. Flandreau. 2010. The Federal Reserve, The Bank of England, and the Rise of Dollar as an International Currency. BIS Working Paper: 1914-1939.
4. Spolaore, Enrico. 2013. What Is European Integration Really About? A Political Guide for Economists. Journal of Economic Perspectives 27: 125-144.
5. Bordo, Michael D. 1993. The Bretton Woods International Monetary System: A Historical Overview, in Bordo, Michael D. and Barry Eichengreen (Eds.) A Retrospective on the Bretton Woods System: Lessons for International Montary Reform, Chicago (University Press).
6. International Monetary Fund. 2016. Strengthening the International Monetary System—A Stocktaking, Washington, D.C. (2016).
7. Nabar, Malhar and Camilo E. Tovar. 2017. Renminbi Internationalization, in: Lam, Raphael, Markus Rodlauer, and Alfred Schipke, Eds. Modernizing China: Investing in Soft Infrastructure, Washington, D.C. (IMF): 249-277
8. RMB Internationalization and International Monetary System (TBD)
9. Central Bank Digital Currency and the International Monetary System (TBD)
10. The macroeconomic implications of the Gen-AI economy Pablo Guerron Quintana, Tomoaki Mikami, Jaromir Nosal∗ July 4, 2024, ECB