

Course Code

Advanced Macroeconomics I (Session F3)

2016 Second Module

Course Information

Instructor:

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Office Hour: Thursday 2:00-4:00

Teaching Assistant:

Phone: TBA

Email: TBA

Classes:

Lectures: Tuesday and Friday, 3:30-5:20

Venue: PHBS Building, Room 231

1. Course Description

1.1 Context

Course overview:

This course is a fundamental course. This course introduces basic macroeconomic tools used for analysis. It mainly covers the first part of David Romer's Advanced Macroeconomics textbook, with China content added. This textbook is famous for its growth theory materials, which takes a large part of the book. China is a superstar growth engine for 30 years, which is the largest economic transformation in human history. China is expected to be the world's largest economy soon. Growth and development are no doubt the important issues facing China. That's why this course mainly focuses on growth and also growth is the foundation for subsequent macroeconomic analysis.

Prerequisites:

Mankiw, Gregory "Principle of Macroeconomics" 5th Edition

High Math (at least know how to solve maximization problem, such as Lagrange method)

1.2 Textbooks and Reading Materials

David Romer's Advanced Macroeconomics 4th edition

Class notes

Various papers downloadable.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	
	2.2. Students will be able to apply leadership theories and related skills.	
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	
	3.2. Our students will practice ethics in the duration of the program.	
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	
	5.3. Our students will demonstrate competency in critical thinking.	

2.2 Course specific objectives

2.3 Assessment/Grading Details

Class participation and enrolment (15%)

Homework (35%)

Final (50%)

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected

plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics, Teaching and Assessment Schedule

1. Review of growth facts and growth accounting

2. The Solow Model

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 1.

Robert M. Solow, "A Contribution to the Theory of Economic Growth." *Quarterly Journal of Economics* 70 (February 1956), 65–94.

<http://www.jstor.org/stable/1884513>

Robert E. Lucas, Jr., "Why Doesn't Capital Flow from Rich to Poor Countries?" *American Economic Review* 80 (May 1990), 92–96.

<http://www.jstor.org/stable/2006549>

J. Bradford DeLong, "Productivity Growth, Convergence, and Welfare: Comment," *American Economic Review* 78 (December 1988): 1138–1154.

<http://www.jstor.org/stable/1807174>

John Fernald and Brent Neiman, "Growth Accounting with Misallocation: Or, Doing Less with More in Singapore," *American Economic Journal: Macroeconomics* 3 (April 2011): 29–74.

<http://www.jstor.org/stable/41237142>

Thomas Piketty, *Capital in the Twenty-First Century*, translated by Arthur Goldhammer (Cambridge: Harvard University Press, 2014).

Thomas Piketty and Gabriel Zucman, "Capital Is Back: Wealth-Income Ratios in Rich Countries," 1700–2010, unpublished paper (February 2014). *Quarterly Journal of Economics*, forthcoming.

<http://dx.doi.org/10.1093/qje/qju018>

Matthew Rognlie, "A Note on Piketty and Diminishing Returns to Capital," unpublished paper, M.I.T. (June 2014).

http://www.mit.edu/~mrognlie/piketty_diminishing_returns.pdf

3. The Ramsey-Cass-Koopmans Model and Dynamic Optimization

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 2.

Robert J. Barro and Xavier Sala-i-Martin, *Economic Growth*, second edition (Cambridge: MIT Press, 2004), Chapter 2 and Appendix A.3 (at end of book).

Lars Ljungqvist and Thomas J. Sargent, *Recursive Macroeconomic Theory*, second edition (Cambridge: MIT Press, 2004), Chapter 3.

Maurice Obstfeld, “Dynamic Optimization in Continuous-Time Economic Models (A Guide for the Perplexed),” unpublished paper, U.C. Berkeley, April 1992. <http://www.econ.berkeley.edu/~obstfeld/ftp/perplexed/cts4a.pdf>

Martin Weitzman, *Income, Wealth, and the Maximum Principle* (Cambridge: Harvard University Press, 2003).

4. Endogenous Growth Theory

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 3.

Paul M. Romer, “Endogenous Technical Change,” *Journal of Political Economy* 98 (October 1990, Part 2), S71–S102.
<http://www.jstor.org/stable/2937632>

Robert E. Lucas, Jr., “On the Mechanics of Economic Development,” *Journal of Monetary Economics* 22 (July 1988) 3–42.
[http://dx.doi.org/10.1016/0304-3932\(88\)90168-7](http://dx.doi.org/10.1016/0304-3932(88)90168-7)

Charles I. Jones, “Growth and Ideas,” in Philippe Aghion and Steven Durlauf, eds., *Handbook of Economic Growth*, Volume 1B (Amsterdam: Elsevier, 2005), 1063–1111.
[http://dx.doi.org/10.1016/S1574-0684\(05\)01016-6](http://dx.doi.org/10.1016/S1574-0684(05)01016-6)

Charles I. Jones, “Time-Series Tests of Endogenous Growth Models,” *Quarterly Journal of Economics* 110 (May 1995), 495–525.
<http://www.jstor.org/stable/2118448>

Michael Kremer, “Population Growth and Technical Change: One Million B.C. to 1990,” *Quarterly Journal of Economics* 108 (August 1993), 681–716.
<http://www.jstor.org/stable/2118405>

Oded Galor, *Unified Growth Theory* (Princeton: Princeton University Press, 2011).

Robert J. Gordon, “Is U.S. Economic Growth Over? Faltering Innovation Confronts the Six Headwinds,” NBER Working Paper No. 18315 (August 2012).
<http://www.nber.org/papers/w18315>

5. Cross-Country Income Differences

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 4.

Robert E. Hall, and Charles I. Jones, “Why Do Some Countries Produce So Much More Output per Worker than Others?” *Quarterly Journal of Economics* 114 (February 1999), 83–116.
<http://www.jstor.org/stable/2586948>

Peter J. Klenow and Andrés Rodríguez-Clare, “The Neoclassical Revival in Growth Economics: Has It Gone Too Far?” *NBER Macroeconomics Annual* 12 (1997), 73–103.
<http://www.jstor.org/stable/3585220>

Chang-Tai Hsieh and Peter J. Klenow, “Relative Prices and Relative Prosperity.” *American Economic Review* 97 (June 2007), 562–585.
<http://www.jstor.org/stable/30035012>

Daron Acemoglu, “Why Not a Political Coase Theorem? Social Conflict, Commitment and Politics.” *Journal of Comparative Economics* 31 (December 2003), 620–652.

* “Why did Japan Stop Growing?”

6. China

* Zhu X. Understanding China’s Growth: Past, Present, and Future (Digest Summary)[J]. *Journal of Economic Perspectives*, 2012, 26(4): 103-124.

* Song, Zheng, Kjetil Storesletten, and Fabrizio Zilibotti. 2011. "Growing Like China." *American Economic Review*, 101(1): 196-233.

* Hongbin Li, Li-An Zhou, Political turnover and economic performance: the incentive role of personnel control in China, *Journal of Public Economics*, Volume 89, Issues 9–10, September 2005, Pages 1743-1762

Hsieh C T, Song Z M. Grasp the Large, Let Go of the Small: The Transformation of the State Sector in China[J]. NBER Working Paper, 2015 (w21006).

* Bai, Hsieh, and Zheng Song 2014. “Crony Capitalism with Chinese Characteristics”, working paper.

Kjetil Storesletten and Fabrizio Zilibotti "China's Great Convergence and Beyond." *Annual Review of Economics*, 6, 333 - 362, 2014.

4. Miscellaneous