



# PHBS

北京大学汇丰商学院



## Course Code

# Advanced Macroeconomics I (Session F3)

## 2019 Second Module

### Course Information

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Office Hour: Monday and Thursday 10:30-11:30

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**Classes:**

Lectures: Monday and Thursday 1:30-3:20

Venue: PHBS Building, Room 311

**Course Website:**

If any.

## 1. Course Description

### 1.1 Context

Course overview:

This course is a fundamental course. It introduces basic macroeconomic tools used for future analysis. It mainly covers David Romer's Advanced Macroeconomics textbook, with China and world application 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. Growth and development are no doubt the important issues facing China. This course also covers Keynesian economics, investment relating to Tobin's  $q$ , and monetary policy, considering, correspondingly, the importance of government intervention in China, finance students audience, and inflation relating to surging housing price in China.

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 4<sup>th</sup> edition

Class notes

Various papers downloadable.

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
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

Presentation (30%): Four students form a group. The order of presenter in a group is random, decided by me in class. Some articles are in some sense not truly academic papers. They give you some topic summary or introduction for your future own work.

Class Participation (10%): You will be randomly called to ask questions after each group's presentation. We will also have some group discussion. Computer is only allowed in the last row of the class, and 3 out of 10 points deduction each time for violation.

Homework (10%): A nonegligible amount of homework will appear in their original form in final exam.

Final Exam (50%): Presentation paper is not a part of final exam.

### 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**

**Teaching Schedule (T is short for teaching. P is short for presentation. \* denotes the paper I will cover in Class):**

#### **T1. Review of undergraduate growth**

#### **T2. The Solow Model**

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

\*Boyreau-Debray, Genevieve, and Shang-Jin Wei. "Pitfalls of a state-dominated financial system: The case of China". No. w11214. national bureau of Economic research, 2005.

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

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

#### **T3. The Ramsey-Cass-Koopmans Model and OLG**

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

\* Bai, Chong-En, Chang-Tai Hsieh, and Yingyi Qian. "The Return to Capital in China." *Brookings Papers on Economic Activity* 2 (2006): 61.

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).

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>

#### **T4. 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>

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>

#### **T5. Cross-Country Income Differences**

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

\* Hoshi, Takeo, and Anil Kashyap. "Why did Japan stop growing?." NIRA Report (2011).

\* Glaeser E L, La Porta R, Lopez-de-Silanes F, et al. "Do institutions cause growth?" [J]. *Journal of economic Growth*, 2004, 9(3): 271–303.

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.

#### **T6 Nominal Rigidity (Keynesian economics)**

Government policy can only have an impact if price is not fully adjusted.

\*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 6.

\* Coordination Failure: Diamond DW, Dybvig PH (1983). "Bank runs, deposit insurance, and liquidity". *Journal of Political Economy*. 91 (3): 401–419.

#### **T7. Investment**

\*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 9.

Financial Crisis.

Franklin Allen, Jun "QJ" Qian, Meijun Qian and Mengxin Zhao 2008 "A Review of China's Financial System and Initiatives for the Future" *Wharton Finance Working paper*

#### **T8. China**

This session is here because I want to show students how to present a paper, to some extent.

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

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

\* 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.

## **T9 Inflation and Monetary Policy**

High inflation is another huge issue in China both economically and politically. Local government debt might be a problem but will be transformed into a money problem in the end. Monetary policy chapter is chosen over fiscal policy.

\*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 11.

Reference papers: P3

Nakamura, E., Steinsson, J. and Liu, M., 2016. Are Chinese growth and inflation too smooth? Evidence from Engel curves. *American Economic Journal: Macroeconomics*, 8(3), pp.113-44.

## **Papers for student presentations**

P1. Allen, Franklin, Jun "Q.J." Qian, Susan Chenyu Shan and Julie Lei Zhu (2014), "The Best Performing Economy with the Worst Performing Market: Explaining the Poor Performance of the Chinese Stock Market," Preliminary Draft, China Academy of Financial Research and University of Pennsylvania

P2. Deng, Yongheng, Randall Morck, Jing Wu, and Bernard Yeung. 2011. "Monetary and Fiscal Stimuli, Ownership Structure, and China's Housing Market." *NBER Working Paper* No.16871.

P3. Brandt, and Xiaodong Zhu. 2000. Redistribution in a Decentralized Economy: Growth and Inflation in China under Reform, *Journal of Political Economy*, 108(2), 2000

P4. Chenggang Xu 2011 "The Fundamental Institutions of China's Reforms and Development" *Journal of Economic Literature* 2011, 49:4, 1076–1151

P5. Rafael La Porta & Florencio Lopez-de-Silanes & Andrei Shleifer & Robert W. Vishny, 1998. "Law and Finance," *Journal of Political Economy*, University of Chicago Press, vol. 106(6), pages 1113-1155, December.

P6. Allen, Franklin & Qian, Jun & Qian, Meijun, 2005. "Law, finance, and economic growth in China," *Journal of Financial Economics*, Elsevier, vol. 77(1), pages 57-116, July.

- P7. Thomas Philippon and Ariell Reshef. 2012 Wages and Human Capital in the U.S. Financial Industry: 1909-2006, *Quarterly Journal of Economics*, November, (lead article)
- P8. Bai, C.E., Hsieh, C.T. and Song, Z.M., 2016. The Long Shadow of China's Fiscal Expansion. Brookings Papers on Economic Activity.
- P9. Amiti, Mary, Stephen J. Redding, and David E. Weinstein. 2019. "The Impact of the 2018 Tariffs on Prices and Welfare." *Journal of Economic Perspectives*, 33 (4): 187-210.
- P10. Young, Alwyn. "A tale of two cities: factor accumulation and technical change in Hong Kong and Singapore." NBER Macroeconomics Annual 1992, Volume 7. MIT press, 1992. 13-64. (The learning by doing theory part can be omitted)
- P11. Ben S. Bernanke, Carol Bertaut, Laurie Pounder DeMarco, and Steven Kamin 2011, "International Capital Flows and the Returns to Safe Assets in the United States, 2003- 2007" Board of Governors of the Federal Reserve System International Finance Discussion Papers Number 1014
- P12. Colantone, Italo, and Piero Stanig. 2019. "The Surge of Economic Nationalism in Western Europe." *Journal of Economic Perspectives*, 33 (4): 128-51.
- P13. Philip R. Lane 2012 "The European Sovereign Debt Crisis" *Journal of Economic Perspectives*—Volume 26, Number 3
- P14. Campante, Filipe R., and Davin Chor. "Why was the Arab world poised for revolution? Schooling, economic opportunities, and the Arab Spring." *The Journal of Economic Perspectives* 26.2 (2012): 167-187.
- P15. Huang, Yasheng, and Yi Qian. "Is Entrepreneurship Missing in Shanghai?." *International Differences in Entrepreneurship*. University of Chicago Press, 2010. 321-346.
- P16. Raghuram G. Rajan, 2005. "Has financial development made the world riskier?," *Proceedings, Federal Reserve Bank of Kansas City*, issue Aug, pages 313-369

Tentative Detailed Schedule (T denotes topics the highlighted papers I will teach. P denotes presentations):

November 14	Syllabus and Undergraduate Macro Review
11.18	Undergraduate Macro Review
11.21	Chapter 1
11.25	Chapter 1 and 2
11.28	Ch2 and 3
12.2	Ch3
12.5	Ch4, Hoshi (2011) and Glaeser (2004)
12.9	Ch6 and Diamond-Dybvig (1983)

12.11	Ch9
12.12	Song (2011)
12.19	Zhu (2012) Li (2005)
12.23	Ch11
12.26	P1-P3
12.30	P4-P6
1.2	P7-P9
1.6	P10-P12
1.9	P13-P15
1.13	P16 and Review of Whole Course
1.15	Final Exam

#### **4. Miscellaneous**