

**Course Syllabus - Macroeconomic Theory**  
**Fall 2017**  
**National School of Development, Peking University**

**Administration Information**

**Instructor:** Junjie Xia

**Office Hours:** Tuesday 17:00 – 18:00, or by appointment (junjiexia@nsd.pku.edu.cn)

**Teaching Assistant:** TBD

**Course Description**

**Audience and prerequisite:** This course is designed to undergraduate students who are interested in learning and applying macroeconomic models of the economy to addressing current macroeconomic policy issues. The prerequisite is the first year economic theory. Although it is not required, having basic knowledge on calculus and intermediate macroeconomics theory is highly encouraged.

**Course Goals:** The primary goal of this course is to teach students macroeconomics concepts and theories that shed light on understanding how the real world economy works.

We have seen a great deal of major economic changes over the past two decades, such as unification of the European economies, the unprecedented economic growth in China and the 2007-09 global financial crisis. By the completion of this course, students are expected to: a) understand how to evaluate macroeconomic conditions such as inflation, unemployment and growth; b) understand how macroeconomic conditions are affected by monetary policy and fiscal policy; c) critically evaluate the pros and cons of each policy option and consider other feasible policy solutions; e) precisely interpret macroeconomic data and accordingly employ certain macroeconomic models; f) have a broad idea on how macroeconomic research works on different subjects.

**Course Plan:** This course is structured into four parts. a) Theory: students are able to learn macroeconomic theories and models at the setting of upper undergraduate level, such as the Solow growth model, Tobin's q theory and real business cycle model. b) Case Study: there will be case studies for different subjects, such as the 2007-09 global financial crisis in the subject of finance and macro-economy and the 2009 debate over tax-based versus spending-based fiscal stimulus in the subject of fiscal policy and the government budget. c) Data in Macro: I will introduce some important database that is often used in Macro analysis. c) Research: at the end of each subject, I will assign and discuss certain modern macroeconomic research

topics. Students will have opportunities to expose themselves to the advanced level macroeconomic research.

**Textbooks** (not mandatory)

**Primary:** “Macroeconomics: Policy and Practice”, by *Frederic S. Mishkin*

**Secondary:** “Macroeconomics”, by *N. Gregory Mankiw*

“Advance Macroeconomics”, by *David Romer*

**Research Reference:** “Handbook of Macroeconomics”, Volume 2 (2016), *John B. Taylor and Harald Uhlig*

**Course Policy**

**Grading:**

Class Participation	5%
Homework	10%
Project	5%
1st Midterm Exam	15%
2nd Midterm Exam	15%
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 eight assignments. The best 5 scores will be counted into your grade (2% per each assignment). Students must turn in all eight assignments. Missing one submission will be deducted by 2%.

**Project:** There will be a group project. Students are required to form project groups (3 to 5 students). Each group has to write a paper on a macroeconomic topic (maximum 5 papers long). 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 two midterm exams and one final exam. The midterm exam covers specific subjects 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.

## **Course Outline**

### **I. Introduction**

- a) What's Macro? Why Macro?
- b) Measuring Macro data (GDP, unemployment, inflation, etc.)
- c) A brief review of current Macro events

**Case Study** – Can GDP buy happiness?

**Macro data** – OECD database

### **II. Macroeconomics Basics**

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

**Case Study** – why are some country rich and others poor?

**Research** – i) “*Why do some countries produce so much output per worker than others?*” Robert Hall and Charles Jones, *Quarterly Journal of Economics*, 1999.

ii) “*Misallocation and manufacturing TFP in China and India*”, Pete Klenow and Chang-Tai Hsieh, *Quarterly Journal of Economics*, 2009.

### **III. Long-Run Economics Growth**

- a) The source of growth
- b) Solow model
- c) Driven-force (technology, policy, institution, ideas, etc.)

**Case Study** – Facts about U.S. growth rates in postwar period

**Macro Data** – The World Bank's Doing Business database

**Research** – i) “*Endogenous technological Change*”, Paul M. Romer, *Journal of Political Economy*, 1990, 98(5)

ii) “*Sources of U.S. economic growth in a world of ideas*”, Charles Jones, *American Economic Review*, 2002, 92(1)

### **IV. Business Cycles: The Short Runs**

- a) Macro variables and the business cycle
- b) IS curve
- c) Monetary policy and aggregate demand
- d) Keynesian theories of money demand
- e) Philips curve and aggregate supply
- f) AD-AS model

- Case Study** – i) The Federal Reserve adoption of inflation targeting  
ii) The fiscal stimulus package of 2009  
iii) Autonomous monetary easing at the 2007-09 financial crisis

- Research** – i) “*Agency costs, net worth, and business fluctuations*”, Ben Bernanke and Mark Gertler, *American Economic Review*, 1989, 79(1)  
ii) “*Fluctuations in Uncertainty*”, Nick Bloom, *Journal of Economic Perspectives*, 2014, 28(2)

## V. Macroeconomics and Finance

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

- Case study** – i) The 2007-09 global financial crisis  
ii) Is China a counter-example to the importance of financial development to economics growth?  
iii) Financial crises in emerging markets (1997-98 Southeast Asia, 2001-02 Argentine)

- Research** – i) “*Credit Cycles*”, Nobuhiro Kiyotaki and John H. Moore, *Journal of Political Economy*, 1997, 105(2)  
ii) “*International Recessions*”, Vincenzo Quadrini and Fabrizio Perri, R&R in *American Economic Review*, 2017.  
iii) “*Macroeconomic Effects of Financial Shocks*”, Urban Jermann and Vincenzo Quadrini, *American Economic Review*, 2012, 102(1)