

Advanced Macroeconomics

Peking University HSBC Business School 2013 Fall

This course is about Macroeconomics and Finance. It introduces many topics in modern finance and macroeconomics. We will especially pay attention to the Subprime Mortgage Crisis, European Debt Crisis, Chinese Economic and Financial system, as well as other modern macroeconomics and finance topics. The first part of this course is taught by me and the second part is mainly about presentation. The presentation will be rather demanding and challenging, which will be more specified later during the class.

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Teaching Assistant: Wei Chen

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Prerequisite:

Mankiw, Gregory "Principle of Macroeconomics" 5th Edition

Assessment:

Presentation (50%): The quality of presentation will be judged by various standards, such as the difficulty level of the paper, and presentation time (latter presenters will have more experience from the class.) There will be a specific guideline on how to present a paper.

Enrollment (10%): You will find your absence or not paying attention in class will leave your presentation very bad. Only the school official notice for absence is recognized.

Class Participation (10%): Class discussion will be strongly encouraged and sometimes will be required. For example, your names will be called randomly. If you are absent, you will lose both your enrollment score and participation score.

You will automatically fail the class if you miss three classes.

Final report (20%): The final report will be an extension of any presentation by you or others which you find interesting. It can focus on some specific topic, or some continuation, or some recent news update of the paper.

Teaching Schedule: (I will teach in the following order. But the exact time will depend on the proceeding of the class.)

DW Diamond, PH Dybvig (1983) "Bank runs, deposit insurance, and liquidity" The journal of political economy

Raghuram G. Rajan, 2005. "Has financial development made the world riskier?," Proceedings, Federal Reserve Bank of Kansas City, issue Aug, pages 313-369

Paul Goldsmith-Pinkham · Tanju Yorulmazer 2010. "Liquidity, Bank Runs, and Bailouts: Spillover Effects During the Northern Rock Episode" Journal of Financial Services Research

Carmen M. Reinhart Kenneth S. Rogoff 2008 "This Time is Different: A Panoramic View of Eight Centuries of Financial Crises" NBER

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

Paper for Presentation: (The selection of the paper has the "first come, first serve" policy. The TA will coordinate with you on group formation and topic selection.)(Three students will form a group. Each group has about 1 hour to present. These papers will be distributed by the TA)

T. Hoshi, A. Kashyap 2011 "Why Did Japan Stop Growing?" National Institute for Research Advancement

B arry Bosworth and Susan M. Collins 2008 "Accounting for Growth: Comparing China and India" Journal of Economic Perspectives

Markus K. Brunnermeier 2009 "Deciphering the Liquidity and Credit Crunch 2007–2008" Journal of Economic Perspectives

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

Justin Yifu Lin 1995 "The Needham Puzzle: Why the Industrial Revolution Did Not Originate in China" Economic Development and Cultural Change, Vol. 43, No. 2

Ashvin Ahuja, Lillian Cheung, Gaofeng Han, Nathan Porter and Wenlang Zhan 2010 "ARE HOUSE PRICES RISING TOO FAST IN CHINA?" Research Department of Hong Kong Monetary Authority Asia-Pacific Department of International Monetary Fund

Olivier J. Blanchard 2008 "THE STATE OF MACRO" NBER WORKING PAPER SERIES

Burton G. Malkiel 2003 “The Efficient Market Hypothesis and Its Critics” The Journal of Economic Perspectives, Vol. 17, No. 1

Justin Lin, Fang Cai, Zhou Li 2003 “The China Miracle: Development Strategy and Economic Reform” The Chinese University Press; Rev Sub edition (July 11, 2003)

Lee E. Ohanian 2010 “The Economic Crisis from a Neoclassical Perspective” Journal of Economic Perspectives: Vol. 24 No. 4

Dennis Tao Yang 2012 “Aggregate Savings and External Imbalances in China” Journal of Economic Perspectives—Volume 26, Number 4

Kazuo Ueda 2012 “Deleveraging and Monetary Policy: Japan since the 1990s and the United States since 2007” Journal of Economic Perspectives—Volume 26, Number 3

Arvind Krishnamurthy 2010 “How Debt Markets Have Malfunctioned in the Crisis” Journal of Economic Perspectives—Volume 24, Number 1

Yasheng Huang 2012 “How Did China Take Off?” Journal of Economic Perspectives—Volume 26, Number 4

Philip R. Lane 2012 “The European Sovereign Debt Crisis” Journal of Economic Perspectives—Volume 26, Number 3

Darrell Duffie 2010 “The Failure Mechanics of Dealer Banks” Journal of Economic Perspectives—Volume 24, Number 1

Gordon H. Hanson 2012 “The Rise of Middle Kingdoms: Emerging Economies in Global Trade” Journal of Economic Perspectives—Volume 26, Number 2

Xiaodong Zhu 2012 “Understanding China’s Growth: Past, Present, and Future” Journal of Economic Perspectives—Volume 26, Number 4

Robert E. Hall 2010 “Why Does the Economy Fall to Pieces after a Financial Crisis?” Journal of Economic Perspectives—Volume 24, Number 4

Filipe R. Campante and Davin Chor 2010 “Why Does the Economy Fall to Pieces

after a Financial Crisis?" *Journal of Economic Perspectives*—Volume 24, Number 4

Gary Gorton and Andrew Metrick 2012 "Getting Up to Speed on the Financial Crisis: A One-Weekend-Reader's Guide" *Journal of Economic Literature*: Vol. 50 No. 1

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

Ashok Kotwal, Bharat Ramaswami, and Wilima Wadhwa 2011 "Economic Liberalization and Indian Economic Growth: What's the Evidence?" *Journal of Economic Literature* 2011, 49:4, 1152–1199

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.

Franklin Allen, Jun "QJ" Qian, Chenying Zhang, Mengxin Zhao 2012 "CHINA'S FINANCIAL SYSTEM: OPPORTUNITIES AND CHALLENGES" NBER WORKING PAPER SERIES

Greenwood, Robin, and David Scharfstein. 2013. "The Growth of Finance." *Journal of Economic Perspectives*, 27(2): 3-28.

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)

Fernández-Villaverde, Jesús, Luis Garicano, and Tano Santos. 2013. "Political Credit Cycles: The Case of the Eurozone." *Journal of Economic Perspectives*, 27(3): 145-66.

Loren Brandt and Xiaodong Zhu 2000 Redistribution in a Decentralized Economy: Growth and Inflation in China under Reform, *Journal of Political Economy*.

Loren Brandt, Debin Ma, Thomas G. Rawski 2013 From Divergence to Convergence: Re-evaluating the History Behind China's Economic Boom, *Journal of Economic Literature*,

forthcoming

Kehoe, Timothy J., and Kim J. Ruhl. 2010. "Why Have Economic Reforms in Mexico Not Generated Growth?" *Journal of Economic Literature*, 48(4): 1005-27. (Actually a comparison with China.)

Shiue, Carol H., and Wolfgang Keller. 2007. "Markets in China and Europe on the Eve of the Industrial Revolution." *American Economic Review*, 97(4): 1189-1216.

Kay Giesecke, Francis A. Longstaff, Stephen Schaefer, Ilya Strebulaev 2013
"Macroeconomic effects of corporate default crisis: A long-term perspective" *Journal of Financial Economics* forthcoming

Joseph D. Piotroski, Tianyu Zhang, 2013 "Politicians and the IPO decision: The impact of impending political promotions on IPO activity in China", *Journal of Financial Economics*, Available online 26 October 2013, ISSN 0304-405X

Craig Doidge, G. Andrew Karolyi, René M. Stulz, 2013 "The U.S. left behind? Financial globalization and the rise of IPOs outside the U.S.," *Journal of Financial Economics*, Volume 110, Issue 3, December 2013, Pages 546-573

Guidelines for Presentation

1. Every presentation should have a Key Sentence, which should appear in one of the first three slides. The purpose is for audience not to be lost, and with this key sentence, they can better understand your motivation slides and others.
2. Do not try to confuse people to make you appear knowledgeable. If I cannot figure out what you are talking about, I will randomly call another student or ask you to pick any student in the classroom to see whether he/she understands or not. Your work should be easily understood by your grandma, just like Poet Juyi Bai read poem to old women to check whether they understand the poem or not. So if a professor with a PhD cannot understand what you are saying, your presentation is failing.
3. Do not show too many words in one side. People cannot read so much in such short time, and they cannot concentrate to listen to you when they are reading.
4. Asymmetry. You have already known the materials very well. Presenters often ignore the fact that for most of time, the audience has no idea of the topic. So it's better for you to think in the position of audience when you present.
5. If there is any figure, please first tell the audience what x and y axis indicate, especially the y axis.
6. Respond in a professional way to rude questions. Responding in a rude way does not make yourself win but lose. The audience can judge who should be blamed.