

Advanced Macroeconomics

Peking University HSBC Business School 2014 Fall

This course introduces basic macroeconomic tools used for analysis, such as growth models, general equilibrium models. It will cover the classic papers and recent most important papers on Chinese economy, which are based on growth model and general equilibrium models. The second half of the course will concern the reality of Chinese economy including empirical papers and survey papers. 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.

Contact Information:

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Office Hours: Tuesday 2:00-4:00PM

Teaching Assistant: TBA

Email: TBA

Prerequisite:

Mankiw, Gregory “Principle of Macroeconomics” 5th Edition

Class Materials:

Detailed course notes will be distributed by email.

References are David Romer’s Advanced Macroeconomics and Sargent’s Dynamic Macroeconomic Theory (both are not required.)

Assessment:

Presentation (25%): 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 (5%): 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 are required to read papers ahead of presentation. You will automatically fail the class if you miss three classes.

Class Quiz (25%): There will be several quizzes in class which will not be informed in advance. The quiz is about the paper materials such as how a maximization problem is solved. The quiz also plays the role of checking attendance. The quiz will be done sometimes in class or turned in some time later.

Take-Home Final Exam (35%): There will be a take-home exam due by Jan. 8th, Thursday, 2015 in class (distribution date TBD). Any copying will directly fail you for this course.

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

Growth Theories

General Equilibrium Model

Monetary Models, Business Cycle Models

Most interesting topics in China (China's growth, Housing bubble, Shadow banking)

Shleifer, Andrei, and Robert W Vishny. 1994. Politicians and Firms, Quarterly Journal of Economics 109, no. 4: 995-1025 (*Comment: All the firms are affected by government in China*)

Qian, Yingyi, and Gérard Roland, 1998 "Federalism and the Soft Budget Constraint" American Economic Review, December 1998, 88(5), pp. 1143-1162. (*Comment: China's success from government decentralization*)

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

Bai, Hsieh, and Zheng Song 2014. "Crony Capitalism with Chinese Characteristics", working paper.

Shleifer, Andrei, and Robert W Vishny. 2010. "Unstable Banking", Journal of Financial Economics 97, no. 3: 306-318. (*Comment: China's current trillions of dollars shadow banking*)

Jean Tirole. 1985. "Asset Bubbles and Overlapping Generations" Econometrica Vol. 53, No. 5 (Sep., 1985), pp. 1071-1100 (*Comment: China's housing bubble*)

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. Four students will form a group. Each group has 50 min to present.

Note: Most of the papers are descriptive. If the paper targets a specific analysis not general enough, such as regression analysis, it will be preferred if you can talk more about the paper's economic background, at least 30% more added. The regression papers will benefit you to write a future dissertation.

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

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

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)

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

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*

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*

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

Chenggang Xu 2011 “The Fundamental Institutions of China's Reforms and Development” Journal of Economic Literature 2011, 49:4, 1076–1151 (Please also read Xu Chenggang’s recent interview on the ShiSanZhong meeting at www.163.com. Include it in the presentation as well.)

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.

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)

Chang-Tai Hsieh & Peter J. Klenow, 2009. "Misallocation and Manufacturing TFP in China and India," The *Quarterly Journal of Economics*, MIT Press, vol. 124(4), pages 1403-1448, November.

Kjetil Storesletten and Fabrizio Zilibotti, 2013. “China's Great Convergence and Beyond”
http://folk.uio.no/kjstore/papers/China_Annual_Review_Economics.pdf

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 slide. 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.