

# Advanced Macroeconomics II

Peking University HSBC Business School  
2015 Spring

This course first introduces basic macroeconomic tools used for analysis. It then covers the topics which you can use for your future dissertation work. The topics study is quite deep. For the topics, I will teach the theoretical paper, and related empirical or reality paper will be presented by students.

## Contact Information:

Chunyang Wang

Room: 703

Email: cywang@phbs.pku.edu.cn

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

Teaching Assistant: Peiyuan Li

Email: 1301213217@sz.pku.edu.cn

## Prerequisite:

Mankiw, Gregory “Principle of Macroeconomics” 5<sup>th</sup> Edition

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

## 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 (35%): The quality of presentation will be judged by various standards, such as the difficulty level of the paper, and presentation time. There will be a specific guideline on how to present a paper.

Enrollment and Participation (10%): Laptops are not allowed in this classroom. Please keep the classroom quiet. After presentation, your name will be called randomly to ask questions.

Homework (15%)

Take-Home Final Exam (35%): There will be a take-home exam (distribution date TBD). Any copying will directly fail you for this course.

**Teaching Schedule: A detailed schedule will be sent out after number of students is set.**

(I will teach in the following order. Lecture notes distributed by email. I do not know how many students will enroll in this class. Therefore, detailed schedule is pending. But I will surely teach in the first three weeks)

Basic Macro Models:  
Intertemporal Choice  
Dynamic General Equilibrium Model  
Real Business Cycle Model

### Topics

(I will teach the highlighted papers, i.e., the first papers. Other papers mostly are nontechnical, i.e., summary, introductory, empirical.)

## **1. Misallocation and Growth**

*(Comment: There are many distortions in China which lead to misallocation of resources.)*

**Restuccia, Diego, and Richard Rogerson. 2008. "Policy Distortions and Aggregate Productivity with Heterogeneous Plants." *Review of Economic Dynamics*, 11(4): 707–20.**

**Hsieh, Chang-Tai, and Peter Klenow. (2011). "Misallocation and Manufacturing TFP in China and India." *Quarterly Journal of Economics*, 124(4): 1403–48. (The paper builds on a classical Dixit-Stiglitz monopolistic competition model, which we will spend some time on.)**

P1 Syverson, Chad. "What Determines Productivity?" *Journal of Economic Literature* 49.2 (2011): 326-65.

P2 Hoshi, Takeo, and Anil Kashyap. "Why did Japan stop growing?." NIRA Report (2011).

P3 Dollar, David, and Shang-Jin Wei. "Das (wasted) Kapital: firm ownership and investment efficiency in China." (2007).

P4 Brandt, Loren, Johannes Van Biesebroeck, and Yifan Zhang. "Creative accounting or creative destruction? Firm-level productivity growth in Chinese manufacturing." *Journal of Development Economics* 97.2 (2012): 339-351.

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

P5 Wu, Jing, Yongheng Deng, and Hongyu Liu. "House price index construction in the nascent housing market: the case of China." *The Journal of Real Estate Finance and Economics* 48.3 (2014): 522-545.

P6 Coulson, N. Edward, and Mingzhe Tang. "Institutional and demographic influences on the presence, scale and geographic scope of individual Chinese real estate investment." *Regional Science and Urban Economics* 43.2 (2013): 187-196.

P7 Shing-Yi Wang, 2011. "State Misallocation and Housing Prices: Theory and Evidence from China," *American Economic Review*, American Economic Association, vol. 101(5), pages 2081-2107, August.

P8 Wu, Jing, Joseph Gyourko, and Yongheng Deng. "Real estate collateral value and investment: The case of China." *Journal of Urban Economics* 86 (2015): 43-53.

**3. Bencivenga, V.R., Smith, B.D., 1991. "Financial intermediation and endogenous growth". *Review of Economics Studies* 58, 195-209. (Comment: Does more finance necessary in China?)**

P9. Levine, R. 1997. Financial Development and Economic Growth: Views and Agenda. *Journal of Economic Literature* 35(2), 688-726.

P10. Meghana Ayyagari & Asli Demirgüç-Kunt & Vojislav Maksimovic, 2010. "Formal versus Informal Finance: Evidence from China," *Review of Financial Studies*, Society for Financial Studies, vol. 23(8), pages 3048-3097, August.

P11. Hale G, Long C X. What are the Sources of Financing of the Chinese Firms?[J]. 2010.

P12 Bai, Chong-En, Chang-Tai Hsieh, and Yingyi Qian. "The Return to Capital in China." *Brookings Papers on Economic Activity* 2006.2 (2006): 61-101.

**4. Boycko, Maxim, Andrei Shleifer, and Robert W. Vishny. "A theory of privatisation." *The Economic Journal* (1996): 309-319.**

P13. Q. Sun and W.H.S. Tong, "China Share Issue Privatization: The Extent of Its Success." *Journal of Financial Economics*, 70, 183-222, 2003.

P14. David Brown, J., John S. Earle, and Álmos Telegdy. "Employment and Wage Effects of Privatisation: Evidence from Hungary, Romania, Russia and Ukraine." *The Economic Journal* 120.545 (2010): 683-708.

P15 Calomiris, Charles W., Raymond Fisman, and Yongxiang Wang. "Profiting from government stakes in a command economy: Evidence from Chinese asset sales." *Journal of Financial Economics* 96.3 (2010): 399-412.

P16 Megginson, William L., and Jeffrey M. Netter. "From state to market: A survey of empirical studies on privatization." *Journal of economic literature* (2001): 321-389.

## 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.