

Advanced Macroeconomics

Peking University HSBC Business School 2015 Fall

This course is a fundamental course. This course introduces basic macroeconomic tools used for analysis. It mainly covers the first part of David Romer's Advanced Macroeconomics textbook, with China 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. China is expected to be the world's largest economy soon. Growth and development are no doubt the important issues facing China. That's why this course mainly focuses on growth and also growth is the foundation for subsequent macroeconomic analysis.

Contact Information:

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Teaching Assistant: TBA

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Prerequisite:

Mankiw, Gregory "Principle of Macroeconomics" 5th Edition

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

Class Materials

David Romer's Advanced Macroeconomics 4th edition

Various papers downloadable.

Assessment:

Enrollment (10%)

Homework (40%): There will be two homeworks. Late homework is not accepted under any circumstances.

Final Exam (50%)

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

1. Review of undergraduate growth theory and introduction to growth facts

2. The Solow Model

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

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

<http://www.jstor.org/stable/1884513>

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

<http://www.jstor.org/stable/2006549>

J. Bradford DeLong, “Productivity Growth, Convergence, and Welfare: Comment,” *American Economic Review* 78 (December 1988): 1138–1154.

<http://www.jstor.org/stable/1807174>

John Fernald and Brent Neiman, “Growth Accounting with Misallocation: Or, Doing Less with More in Singapore,” *American Economic Journal: Macroeconomics* 3 (April 2011): 29–74.

<http://www.jstor.org/stable/41237142>

Thomas Piketty, *Capital in the Twenty-First Century*, translated by Arthur Goldhammer (Cambridge: Harvard University Press, 2014).

Thomas Piketty and Gabriel Zucman, “Capital Is Back: Wealth-Income Ratios in Rich Countries,” 1700–2010, unpublished paper (February 2014). *Quarterly Journal of Economics*, forthcoming.

<http://dx.doi.org/10.1093/qje/qju018>

Matthew Rognlie, “A Note on Piketty and Diminishing Returns to Capital,” unpublished paper, M.I.T. (June 2014).

http://www.mit.edu/~mrognlie/piketty_diminishing_returns.pdf

3. The Ramsey-Cass-Koopmans Model and Dynamic Optimization

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

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).

Lars Ljungqvist and Thomas J. Sargent, *Recursive Macroeconomic Theory*, second edition (Cambridge: MIT Press, 2004), Chapter 3.

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>

Martin Weitzman, *Income, Wealth, and the Maximum Principle* (Cambridge: Harvard University Press, 2003).

4. 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>

Robert E. Lucas, Jr., “On the Mechanics of Economic Development,” *Journal of Monetary Economics* 22 (July 1988) 3–42.

[http://dx.doi.org/10.1016/0304-3932\(88\)90168-7](http://dx.doi.org/10.1016/0304-3932(88)90168-7)

Charles I. Jones, “Growth and Ideas,” in Philippe Aghion and Steven Durlauf, eds., *Handbook of Economic Growth*, Volume 1B (Amsterdam: Elsevier, 2005), 1063–1111.

[http://dx.doi.org/10.1016/S1574-0684\(05\)01016-6](http://dx.doi.org/10.1016/S1574-0684(05)01016-6)

Charles I. Jones, “Time-Series Tests of Endogenous Growth Models,” *Quarterly Journal of Economics* 110 (May 1995), 495–525.

<http://www.jstor.org/stable/2118448>

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>

5. Cross-Country Income Differences

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

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.

<http://dx.doi.org/10.1016/j.jce.2003.09.003>

6. China (Depends on class progress)

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

Chang-Tai Hsieh and Peter J. Klenow, "Misallocation and Manufacturing TFP in China and India," *Quarterly Journal of Economics* 124 (November 2009), 1403–1448.

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.

7. Real Business Cycle Theory (Depends on class progress)

*David Romer, *Advanced Macroeconomics*, fourth edition, Chapter 5.