

# Principles of Macroeconomics

## Fudan University

Department: School of Economics

<b>Course Code</b>	SOSC120021		
<b>Course Title</b>	Principles of Macroeconomics		
<b>Credit</b>	5	<b>Credit Hours</b>	90
<b>Course Nature</b>	<input type="checkbox"/> Specific General Education Courses <input type="checkbox"/> Core Courses <input type="checkbox"/> General Education Elective Courses <input type="checkbox"/> Basic Courses in General Discipline <input checked="" type="checkbox"/> Professional Compulsory Courses <input type="checkbox"/> Professional Elective Courses <input type="checkbox"/> Others		
<b>Course Objectives</b>	<p>This is an undergraduate-level fundamental course in economics. The course is designed for the students to learn the fundamental principles and theories in modern macroeconomics, emphasizing the potential applications in the Chinese economy. The course aims to help the students understand the underlying mechanism behind important macroeconomic phenomena in the real world, especially in the Chinese economy, using rigorous analytical tools.</p> <p>After you finish the course, you are supposed to develop an understanding of key macroeconomic issues, such as why some countries are much richer than others. What are the new factors that may sustain one country's long-run growth in the new status of the global economy? What are the roles of households, firms, and banks in forming the aggregate dynamics? What are the causes of inflation and unemployment? How do policymakers stabilize the aggregate economy when the country is facing external shocks?</p>		
<b>Course Description</b>	<p>This course teaches the fundamentals of macroeconomics. You will be introduced to key macroeconomic concepts, such as economic growth and fluctuations, money and banking, inflation, unemployment, and open macroeconomics. The course may also cover some frontier theories in modern macroeconomics regarding the digital economy, small and micro enterprises financing, local government debt, etc.</p>		

**Course Requirements:****Prerequisites:**

The course is self-contained regarding the macroeconomics. Students need to have basic knowledge about the principle of microeconomics and college-level math such as calculus and statistics.

**Teaching Methods:**

Lectures and group discussions

**Instructor's Academic Background:**

Zhiwei Xu is a Full Professor of Economics at China Center for Economic Studies at Fudan University. He got his Ph.D. from Hong Kong University of Science and Technology. His research interest includes macro-finance, business cycles, and Chinese economy. His work has been published at leading economic journals such as *AEJ: Macro*, *Journal of Development Economics*, *Economic Journal*, *Journal of Economic Theory*, *Journal of Economic Dynamics and Control*, *Journal of Money, Credit and Banking*, *Quantitative Economics*, *Review of Economic Dynamics* and other leading Chinese journals.

**Members of Teaching Team**

Name	Gender	Professional Title	Department	Responsibility
Zhiwei Xu	Male	Professor	China Center for Economic Studies	

**Course Schedule (Tentative)****Module 1: Introduction**

- (a) An introduction of modern macroeconomics
- (b) National Income Accounting and the Balance of Payments
- (c) Application: understanding structural problems in the Chinese economy

**Module 2: Economic Growth**

- (a) Solow model
  - middle income trap

- (b) Growth accounting
  - an application to Chinese economy
  - understanding the logic of Chinese-style modernization
- (c) Endogenous growth model
  - the role of human capital and innovations
  - growth in the digital economy

### **Module 3: Consumption**

- (a) Consumption and savings
  - Permanent Income Hypothesis
  - Precautionary saving
- (b) Consumption and savings under imperfect financial market
  - Understanding China's high saving rate
  - Chinese housing bubbles

### **Midterm**

### **Module 4: Investment**

- (a) Investment under certainty
- (b) Investment under uncertainty
  - Understanding Chinese housing boom: a firm's perspective

### **Module 5: Resource Misallocation**

- (a) A theory of resource misallocation
- (b) Application to China

### **Module 6: Money and Banking**

- (a) Banks and Bank Failures
- (b) Money and Inflation

### **Module 7: Unemployment**

- (a) The Measurement and Causes of Unemployment
- (b) The Phillips Curve

### **Module 8: Aggregate Analysis**

- (a) The IS-LM Model
- (b) The AD-AS analysis
- (c) Monetary and Fiscal policies
  - Local government debt in China

### **Module 9: Open-Economy Macroeconomics**

- (a) Exchange rate dynamics

- (b) International capital flows
- China-US financial account imbalances

### **Final Exam**

*Note: You are strongly encouraged to attend every class. I expect you to behave professionally in class, and refrain from engaging in disruptive classroom behavior. However, if you have any questions, please feel free to ask.*

### **The design of class discussion or exercise, practice, experience and so on:**

#### **Homework and Exams:**

There will be one homework assignment each week. You may discuss the homework problems with your classmates, but copying or free-riding are not allowed. Homework should be handed in on time, and late homework will not be accepted.

There will be one midterm and one final exam, and each will be worth 30 possible points. All the exams are non-comprehensive, closed book and closed notes. It is important for you to arrive on time for exams. If any other student has handed in their answer sheet when you arrive, you will be excluded from taking the exam. You can use a single-line calculator during the exams, but cell phone use is strictly prohibited.

#### **If you need a TA, please indicate the assignment of assistant:**

Yes, a TA is needed and will help the lecturer with the attendance, organization of group discussion and make tutorial classes.

#### **Grading & Evaluation (Provide a final grade that reflects the formative evaluation process):**

Homework (Combined): 40%

Midterm: 30%

Final: 30%

Passing grade: 60, below 60 = fail

#### **Teaching Materials & References (Including Author, Title, Publisher and Publishing time):**

Course materials are mainly based on my slides and lecture notes. The following textbook is used as the reference for some particular topics.

N. Gregory Mankiw, *Principles of Macroeconomics*, 8<sup>th</sup> Edition

**Other Readings:**

You will be encouraged to read some of the most important and insightful research articles on macroeconomics. You are also encouraged to read newspapers and journals such as *The Wall Street Journal*, *The Economist*, and *CAIXIN*, and to relate what you learn in the course to the current macroeconomic issues.