



Xi'an Jiaotong-Liverpool University

西交利物浦大学

International Business School Suzhou

ECO320 Advanced Macroeconomics

Instructor: Tiago Freire
E-mail: Tiago.Freire@xjtlu.edu.cn
Office: BB454
Office Hours: Thursdays and Fridays by appointment only.

Lecture Times: Friday, 9am-11am Room: BB237
Tutorial Times: Thursdays, Group 1: 9-10am; Group 2: 10-11am Room: Group 1: BB127; Group 2: BB237

Course Description

Aims: This module aims to provide students with a good knowledge of modern macroeconomics at the advanced level by focussing on the role of expectations in an open economy.

Learning outcomes: Upon completion of this module, students should be able to: (i) understand the role of expectations in output fluctuations; (ii) use the rational expectations tools to solve theoretical and policy oriented macroeconomic problems; (iii) understand the implications of openness i.e., that most economies trade both goods and assets with the rest of the world; (iv) understand the mechanisms of depressions and slumps.

Syllabus: We will cover the following topics: (i) Facts about business cycles; (ii) investment and asset prices; (iii) consumption, income and wealth; (iv) monetary policy and aggregate demand; (v) inflation, unemployment and aggregate supply; (vi) Explaining Business Cycles: aggregate supply and aggregate demand; (vii) stabilisation policy: why?; (viii) stabilisation policy: how?; (ix) stabilisation policy with rational expectations; (x) limits to stabilisation policy; (xi) aggregate demand and aggregate supply in the open economy; (xii) the open economy with fixed exchange rates; (xiii) the open economy with flexible exchange rates.

Textbooks

There is a required reading for this module:

- Sorensen, Peter, Whitta-Jacobsen, H. 2010. *Introducing Advanced Macroeconomics* 2nd Edition. McGraw-Hill

We will follow this book very closely, with tutorial assignments taken from this book.

Lecture Schedule

The schedule for this module is attached at the end of the syllabus. This is a tentative schedule and may be subject to changes without notice.

Assignment Details

During the semester you will be given five (5) tutorial assignments through ICE. These will not be marked, but you are strongly encouraged to complete them as they are essential for the understanding of the material. Furthermore, during tutorials we will be asking students at random to present their solutions to the tutorial assignment.

Evaluation

There is a midterm for this module, worth 15% of your final grade and a final exam, worth 85% of your final exam.

Miscellaneous

If you have a question about something we covered in the module please post your question on the forum on ICE before sending me an e-mail. When contacting me please write **ECO320** in the subject line of your e-mail so that it is captured and sent to the correct folder in my mail filters.

ECO320 - Advanced Macroeconomics						
Week	Lecture		Topics	Description	Sorensen & Whitta-Jacobsen	Tutorial
1	1	28/02/13	Some Facts about Business Cycles	Why Understanding Business Cycles is Important; Defining Business Cycles; Dating Business Cycles; Measuring Business Cycles; What Happens During Business Cycles; Measuring and Decomposing the Output Gap.	13	
2	2	TBA	Investment and Asset Prices (GUEST LECTURER)	The Stock Market; The Price of Stock; Business Investment; The Housing Market and Housing Investment; Business Ethics	14	
3	3	07/03/13	Consumption, Income and Wealth	The Consumption Function; The Properties of the Consumption Function; Consumption, Taxation and Public Debt; Towards a More Realistic Theory of Consumption	15	Tutorial #1 on Ch 13, 14 and 15 Posted on ICE
4	4	21/03/13	Monetary Policy and Aggregate Demand	Keynes, the classics and the Great Depression; The Goods Market; The Money Market and Monetary Policy; The Aggregate Demand Function	16	Tutorial #1
5	5	28/03/13	Inflation, unemployment and Aggregate Supply	Nominal Rigidities. Expectational Errors and Unemployment Fluctuations; The Importance of Nominal Rigidities for the Short-Run Trade-Off Between Inflation and Unemployment	17	Tutorial #2 on Ch 16 and 17 Posted on ICE
6	6	04/04/13	Aggregate Supply and Aggregate Demand in Action	The Model of Aggregate Supply and Aggregate Demand; Business Fluctuations in a Deterministic World; Business Cycles in a Stochastic World; Real Business Cycle Theory	18	Tutorial #2
7		TBA	Midterm	Covering: Facts about Business Cycles; Investment and Asset Prices; Consumption, Income and Wealth; Monetary Policy and Aggregate Demand; Inflation, Unemployment and Aggregate Supply	13,14,15,16 & 17	

ECO320 - Advanced Macroeconomics						
Week	Lecture		Topics	Description	Sorensen & Whitta-Jacobsen	Tutorial
8	7	18/04/13	Stabilization Policy: Why? And How?	The Goals of Stabilization Policy and the Social Loss Function; The Welfare Costs of Output Fluctuations; The Welfare Costs of Inflation; Rules versus Discretion; Monetary Stabilization Policy in Theory; Monetary Stabilization Policy in Practice; Fiscal Stabilization Policy; Has Fiscal Policy Been Stabilizing?	19 & 20	
9	7	25/04/13	Stabilization Policy with Rational Expectations	Backward-Looking versus Forward-Looking Expectations; Rational Expectations and Macroeconomic Policy; Do People Have Rational Expectations?	21	Tutorial #3 on Ch19,20 and 21 Posted on ICE
10	8	02/05/13	Limits of stabilization policy: Credibility and Uncertainty	Policy Rules versus Discretion; Dealing with Inflation Bias; Implications of Macroeconomic Measurement Errors	22	
11	9	09/05/13	Aggregate Supply and Aggregate Demand in the Open Economy	Globalization and the Small Specialized Economy; Capital Mobility, Interest Rate and Purchasing Power Parity; Capital Mobility and Exchange Rate Regimes; Aggregate Demand in the Open Economy; Aggregate Supply in the Open Economy; Long-Run Equilibrium in the Open Economy	23	Tutorial #3 and Tutorial #4 on Ch 22 and 23 Posted on ICE
12	10	16/05/13	The Open Economy with Fixed Exchange Rates	Fixed Exchange Rate as an Economic Policy as an Economic Policy Regime; Macroeconomic Adjustment Under Fixed Exchange Rates; Fiscal Policy; Exchange Rate Policy	24	Tutorial #4
13	11	23/05/13	The Open Economy with Flexible Exchange Rates	Flexible Exchange Rates as an Economic Policy Regime; Macroeconomic Adjustment Under Flexible Exchange Rates; Fixed versus Flexible Exchange Rates	25	Tutorial #5 on Ch 24 and 25 Posted on ICE
14	12	30/05/13	Q&A Session			Tutorial #5