

Syllabus
Macroeconomic Theory
For Graduate Students of the Dept. of Finance
National Taiwan University
2nd semester, 2009

Instructor: 林克孝 Ph.D., University of Washington

Introduction

1. This is a class for MBA students with interest in finance.
2. My primary goal of this class is **to train students to grasp the crystallized framework of macroeconomics**. Good understanding of the construction of macroeconomic theory is very important for the use of these tools.
3. There are numerous models in macroeconomics, but they can be divided roughly into two groups --- Walrasian (Classical, Market Clearing, Real-Business-Cycle) and Non-Walrasian (Keynesian). Many models are actually combinations or extensions, and the real world is more likely moving as such. Models are not exactly what we really want to know in economics, but to learn models is a way to know how smart people think and how they solve problems on hand.
4. The second focus of the class is **the use of theory**. We will learn how to analyze the economy in front of us, how to collect supporting data, and how to forecast --- *things you are supposed to do in the real world* once you graduate.
5. **In the end of the class, students are expected to practice what they have learned in the class by performing a profession level presentation on a pre-determined topic *IN ENGLISH*.**
6. The economy in front of you is very interesting and intriguing. People hardly know what an economy is going to head and yet it is crucial to business, especially in the financial area, to predict and forecast the move of the economy.
7. In July 1997, the Asian Financial Crisis started from Thailand and spread all over the emerging economies, making forecasting and rescuing the economy the most important topics among all governmental bodies around the world. In 2000, the collapse of the stock markets in many countries caused a panic over the growth of the world economy. And came the 911. And deflation began. And came the war with Iraq and SARS outbreak in Asia. Finally came the long-awaited economic recovery. **In 2004 the question was: "Is this the true recovery?"**

How come deflation worry slipping away quietly? Or are we overlooking deflation threat? A year later, this recovery was proven. But then, how long does it last?" And a weird phenomenon in 2006 occurred: Why the yield curve inversed? Is recession coming? 2007 was dominated by Sub-prime Crisis. The question was then: How come we did not expect this last year? So many events or movements are happening; I want you to taste a little bit of this enjoyment as well as pressure by demanding a good analysis of your problem on hands at the end of class.

8. This year I will try to reduce traditional materials as much as possible, and add some thoughts of myself: These will be questions, not models or answers. These questions are challenging the financial world of today, and being an insider of the financial world, I see a gap between the instruments developed in macroeconomics and the problems we are dealing with. I like to show this gap to students and hope students will someday fill in the gap by themselves.

Textbook and Materials

Basic Textbook:

1. Macroeconomics , 9th edition** Dornbusch, Fischer and Startz (新月)
2. Macroeconomics ** R. Farmer (滄海)
- 3.

More Advanced:

4. Advanced Macroeconomics**※ David Romer (McGraw-Hill)
 5. Rational Expectations ** Steven Sheffrin (華泰)
- (** - Highly readable, ※- Highly mathematical)

Data and Information:

1. 政府經濟資料出版品 (央行金融統計月報…….etc)
2. 經濟日報及工商時報
3. Asian Wall Street Journal
4. A good Database

Software needed:

1. Powerpoint Microsoft
2. Internet access

Grading

Written Exam	55%
Oral Presentation	35%
Class Participation	10%

Presentation

At the end of the class, students should make a presentation following the rules below:

1. Form a 3-man team, and take an assigned order of presentation.
 2. Prepare the materials for a pre-determined topic. (Topics will be handed out around early April.)
 3. It is a must for everyone to participate and speak on the presentation, but you have to control time consumption as well.
 4. Prepare a presentation quality hand-out.
 5. Hand in your "hand-out" at the *first* day of presentation.
 6. Deliver the presentation when it is the team's turn.
 7. Participate all presentations. Don't leave the classroom even after you have finished with your job.
 8. The max time is 30 min., there could be a penalty for going over-time.
-

Schedule

<i>No.</i>	<i>Date</i>	<i>Subject</i>
1	02/16	Introduction to the class
2	02/23	Crises: why and how?
3	03/02	Background and Development of the Theory
4	03/09	Simple Macroeconomic framework The Starting Point of Model Building
5	03/16	More Advanced Macroeconomic Model Complete Static Keynesian Model Dynamics and Uncertainty
6	03/23	Workshop 1: (provided by professional) How you find you data and work on them
7	03/30	Rational Expectation and Market Clearing Model
8	04/06	Two Topics: Growth and Government Debts
9	04/13	Open Economy
10	04/20	Special Topic 1: The determination of exchange rate

11	04/27	Special Topic 2: Trade and Currency
12	05/04	Money and Banking: More than a system
13	05/11	Workshop 2 (provided by professional) World Economy in Real What do we watch the world as a financial professional?
14	05/18	***Written Exam*** (Written, non-open-book)
15	05/25	Wrap-up: Back to Crisis and Application
16	06/01	Class Presentation I
17	06/08	Class Presentation II
18	06/15	Final Exam

The End
