

Title: **ECON 2120(00002) Intermediate Macroeconomics**
Second Semester, 2009-2010

Prerequisite: ECON1120 Principles of Macroeconomics

Objective: This subject covers macroeconomic theories applicable to both market economies and centrally planned economies in the pre-reform and the post-reform eras. Closed and open economy versions, as well as relevant growth models, will be investigated.

Assessment: Assignments	10%
Class participation & discussion	10%
Test	30%
Examination	50%

Instructor: Prof. Tsang Shu-ki (Room WLB629)

Subject Content:

A. Market Economies

1. Macroeconomic Accounting and Analytical Framework
 - i. System of National Accounting (SNA)
 - ii. Sources of Demand and Aggregate Production Function
 - iii. Simple Models of the Determination of National Income

2. The orthodox of Keynesian Macroeconomics
 - i. Comparison with the Classical School since Smith and Ricardo
 - ii. Keynesian Economics and Keynes's Economics
 - iii. The IS-LM Model and Extensions: Close Economy Versions (Wealth Effects and Government Budget Considerations)
 - iv. The IS-LM Model and Extensions: Open Economy Versions (Mundell-Fleming Models)
 - v. The Keynesian-Monetarist Controversy: Theory and Policy

3. New Classical Macroeconomics (NCM) and Supply-side Economics
 - i. Rational Expectations (Versus Adaptive and Other Expectations)
 - ii. The Market-clearing Paradigm (Versus Partial Adjustment)

- iii. The Policy Ineffectiveness Hypothesis (No Roles for Government?)
 - iv. Neo-Keynesian Criticisms and NCM's Responses
 - v. Supply-side Economics
4. Disequilibrium Macroeconomics and New Keynesian Resurgence
 - i. The Paradigm of Price Rigidity and Quantity (Instead of Price) Adjustment
 - ii. Disequilibrium Regimes (CU, KU, and RI) and Policy Implications
 - iii. Providing Micro-foundations
 - iv. Imperfect Competition Macroeconomics: Closed and Open Economies

B. Centrally Planned Economies

1. National Accounting and Analytical Framework
 - i. Traditional methods
 - ii. Comparisons with methods used in Market Economies: MPS vs. SNA
 - iii. Types of Constraints in Different Economic Systems: Resource Constraints, Demand Constraints and Structural Constraints
2. Aggregate Demand Analysis
 - i. Consumption Demand
 - ii. Investment Demand
 - iii. Formation of Aggregate Demand
3. Aggregate Supply Analysis
 - i. Notional, Latent and Effective Supply
 - ii. Labour Economics in CPEs
 - iii. Capital Utilization and Efficiency
4. Aggregate Analysis: Statics and Dynamics
 - i. The Aggregate Gap and Shortage
 - ii. Forced Savings, Repressed Inflation and Structural Disequilibria
 - iii. Macroeconomic Cycles in CPEs
 - iv. Planners' Policy Options
5. Reform Macroeconomics
 - i. Comparisons with Pre-reform Macroeconomics
 - ii. Reform Strategies: Big Bang versus Gradualism

- iii. The Double-Track System: Implications for Fiscal and Monetary Policies
- iv. Decentralization and Macroeconomic Control
- v. Open Policy and Macroeconomic Control

C. Growth Models: An Introduction

- 1. Neoclassical Growth Models ($Q=AK^{\alpha}L^{\beta}$)
- 2. Traditional Socialism: the Fel'dman Model (Forced Industrialization: "Capital Goods Sector First" Strategy)
- 3. Modern Socialism: Kalecki's Model (Labour Morale and Productivity)

Major References:

A. Market Economies

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** Argy, Victor, The Postwar International Monetary Crisis: An Analysis, Allen & Unwin, 1981.

* *Levacic, R. and Rebmann, A., Macroeconomics: An Introduction to Keynesian-Neoclassical Controversies, 2nd ed., Macmillan/ ELBS, 1984.

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**Pentecost, Eric, Macroeconomics – An Open Economy Approach, Macmillan, 2000.

*Burda, Michael and Wyplosz, Charles, Macroeconomics: A European Text, Oxford University Press, 2nd ed., 1997.

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B. Centrally Planned Economies and Growth

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*Davis, C. and Charemza, W. (eds.), Models of Disequilibrium and Shortage in Centrally Planned Economies, Chapman and Hall, 1989.

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*Hywel G. Jones, An Introduction to the Modern Theories of Economic Growth, McGraw-Hill, 1976.

*《經濟研究》；中國人民大學書報資料中心：《複印報刊資料》； Journal of Comparative Economics, China Economic Review, The China Quarterly.

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Oppers, S.E., Macroeconomic Cycles in China, IMF Working Paper WP/97/135, 1997.

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