

School of Economics, Shandong University

Macro Finance

Spring 2025

Instructor

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Description: This course will study monetary theory and its relationship with business cycles. We start by looking at the classical monetary model, followed by introduction on the basic new Keynesian model. We then investigate monetary policy design and trade-offs within the developed framework. Some variants of the basic model with alternative features will be discussed as well.

Lecture: Wednesday, Building #9 Room 320

References

- Jordi Gali, Monetary Policy, Inflation, and the Business Cycle, 2nd edition, Princeton University Press, Princeton, New Jersey, 2015.
- Roger E.A. Farmer, The Macroeconomics of Self-Fulfilling Prophecies, 2nd edition, MIT Press, Cambridge, Massachusetts, 1999.

Tentative Course Outline

- Lecture 1: Introduction
- Lecture 2: A Classical Monetary Model
- Lecture 3: The Basic New Keynesian Model
- Lecture 4: Monetary Policy Design
- Lecture 5: Monetary Policy Tradeoffs
- Lecture 6: Monetary Policy in the Open Economy

Presentation

An in-class presentation led by the students will be arranged. You could choose one from the following two options: (i) present a new research paper; or (ii) replicate a published paper. If you choose to present your own research paper(s), any topics related to this course are acceptable. If instead you choose to replicate a published paper, eligible papers must be chosen from the reading list provided by the instructor. Each group includes **three** students and need to prepare a 30-minute presentation. All presentations are scheduled on **June 4, 2025**. The order of presentations for each group will be announced in class.

Grading

- Group presentation
 - Present a new paper (40%): The presentation can be in English or in Chinese provided that the research question is well motivated. A theoretical paper should include economic modeling and major theoretical results; an empirical paper should have data description and preliminary estimation results; a pure literature review or non-technical economic essay should be avoided.
 - Present a published paper (40%): The presentation can be in English or in Chinese. The research question should be well explained. For theoretical papers, students should replicate major theoretical derivations and results; for empirical papers, students should re-do data collection and estimations; a pure literature review or non-technical economic essay should be avoided.
- Final exam (60%): the final exam will be cumulative and comprehensive and scheduled on **June 11, 2025 from 6:00-8:00 pm**. Fail to attend the final exam will lead to an F (failure) in this course. No make-up exam of any kind will be made.

Final Notes

- The course outline may be revised during the semester.
- You are fully responsible for following up on all the announcements made in the lectures.