

## Econ 347

### The Hong Kong Economy

(Spring 2009)

**Instructor:** Francis T. Lui

**Office Hours:** 3:00pm - 4:00pm, Monday; 4:00pm - 5:00pm, Thursday

**Lectures:** 1:30 pm – 2:50 pm, Tuesday and Thursday; Room 4620

**Tutorials:** 11:00am - 11:50am, Tuesday; Room 2503 (Do not go there unless I tell you to do so.)

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**Teaching Assistant:** Peter Tsui (Email: [ecpeter@ust.hk](mailto:ecpeter@ust.hk); Tel.: 2358-7597; Office: Room 2393; Office Hours: 3:00pm – 5:00pm, Wednesday)

**Class Website:** <http://teaching.ust.hk/~econ347/index.htm>

**Course Description and Requirements:** This one-semester course introduces students to some salient aspects of the Hong Kong economy. Basic information and data related to the covered topics will be provided. Emphasis will be placed on the use of economic tools to analyze real-world problems. Students are expected to attend all the lectures and actively participate in classroom discussions. Research projects conducted by the students are considered an integral part of the course. (*Satisfactory completion of the research project in this course fulfils the Econ 367 requirement for Economics major at UST.*) Tutorials are scheduled on Tuesdays from 11:00am to 11:50am. You should not go there unless I tell you to do so. I may schedule additional lecture classes and student presentations during some of the time slots of the tutorials.

**There will be a midterm exam on Thursday, April 23, 2009**, which will contribute to 42 percent of the grade. Early in the semester, the students should organize themselves into study groups, the optimal size of which should be 4 people. The maximum number of people in a group is 5, but this will require my prior approval. You should send me the names of your group members as early as possible. Each group will have to choose a topic related to the Hong Kong economy and write a term paper based on original research. The topic chosen must be approved by me on or before **Thursday, February 26, 2009**. **Every group must come to see me to discuss the possible topics. The term paper, to be sent to me via email, is due at 11:59 pm, Sunday, April 26, 2009**. The submitted papers will be posted on the class website. Every student in the class should read them. During the last 5 or 6 lecture classes (plus some tutorial classes), every group will have to take turns to present their papers. Each group will be allocated 25 minutes for the presentation and 15 minutes for answering questions. The quality of the written paper determines 35 percent, and the presentation determines 15 percent of the course grade. It is expected that members of each study group make roughly equal contributions to the paper. In case there is any unfairness in the contribution or workload, I should be informed and individual grades may be affected. All members of the class should **critically** comment on the papers of others. Their active participation in criticisms and general classroom discussions carries 8 percent of the grade. If a student never speaks in class, this 10 percent will be lost completely. I will make records of individual participation. Students are expected to attend ALL classes. One percent of the total grade will be deducted

for each class missed, unless you can present acceptable documentary evidence to excuse yourself from class.

Midterm: 42%

Term Paper: 35%

Paper Presentation: 15%

Class Participation: 8%

Class Attendance: minus 1% for each class missed

**Data for Research Projects:** Some databases are particularly useful for empirical research on the Hong Kong economy. Some examples include the *Hong Kong Population By-Census 1% Samples* (I have the data for 1981, 1986, 1991, 1996, 2001, and 2006. The last two also include 5% samples.), *Datastream*, CEIC, the *Hong Kong Annual (or Monthly) Digest of Statistics*, and websites of the Hong Kong Monetary Authority (<http://www.info.gov.hk/hkma/eng/statistics/msb/index.htm>) and the Census and Statistics Dept of the Hong Kong Government (<http://www.info.gov.hk/censtatd/eng/hkstat/index.html>). Your TA, Peter Tsui, will help you if you have problems accessing these data. You may consult me for other data sources that are useful for your research.

### **Syllabus:**

- 1) **Government Spending and Revenue**  
(Readings: 1, 2, Lecture Notes)
- 2) **A Very Brief History of the Hong Kong Economy**  
(Readings: Lecture Notes)
- 3) **Structural Changes, Labor Market, and Unemployment**  
(Readings: 3, 4, 5, Lecture Notes)
- 4) **Human Resources and Education**  
(Readings: Lecture Notes)
- 5) **Demographic Trends and Retirement Protection**  
(Readings: 6, 7, Lecture Notes)
- 6) **Productivity Changes and Industrial Policy**  
(Readings: 8, 9, 10, Lecture Notes)
- 7) **Income Distribution and the Political Economy**  
(Readings: Lecture Notes)
- 8) **The Exchange Rate System and the Asian Financial Crisis.**  
(Readings: 11, 12, Lecture Notes)
- 9) **The Banking and Financial Sectors**  
(Readings: 13, Lecture Notes)
- 10) **Inflation and Deflation**  
(Readings: Lecture Notes)
- 11) **Housing Markets**  
(Readings: 14, Lecture Notes)

## Readings:

There is no required textbook for this course. You will have to rely heavily on the lecture notes. For those who can read Chinese, my book, “*Ti Xianggang Jingji Bama*” (**Feeling the Pulse of the Hong Kong Economy**), may provide some optional background information. Some of the readings below are rather technical, but they serve as good sources of information. I will put them on reserve in the library. When electronic copies are available, they will be posted on the class website. I shall tell you more about what you should read as we move along.

- 1) Hong Kong SAR Government, **2009-2010 Budget: The Financial Secretary Invites your Views**, *Information\_pack\_e*.
- 2) John Tsang, **Budget Speech of the Financial Secretary 2009**, Hong Kong SAR Government, Feb 25, 2009.
- 3) Milton Friedman, “*The Power of the Market*,” Part 1 of **Free To Choose**, video. The transcript is also available in [http://www.freetochoose.net/1980\\_vol1.html](http://www.freetochoose.net/1980_vol1.html).
- 4) Yum K. Kwan, Joseph Y. Lian, and Francis T. Lui, **Hong Kong’s Unemployment and Imported Labor**, Dept. of Economics, HKUST, mimeographed, 1995.
- 5) Francis T. Lui, “*Hong Kong’s Economic Structural Changes*,” in **Blueprint for the 21<sup>st</sup> Century Hong Kong**, edited by Siu-kai Lau, 2000, Hong Kong: Chinese University of Hong Kong Press (in Chinese, not required reading).
- 6) Francis T. Lui, “*Demographic Transition, Childless Families and Economic Growth*,” in **Demographic Transition in the Pacific Rim (NBER-EASE 20)**, edited by Takatoshi Ito and Andrew Rose, forthcoming 2009, University of Chicago Press.
- 7) Francis T. Lui, **Retirement Protection: A Plan for Hong Kong**, City University Press of Hong Kong, 1998.
- 8) Alwyn Young, “*A Tale of Two Cities: Factor Accumulation and Technical Change in Hong Kong and Singapore*,” **NBER Macroeconomic Annual**, 1992, p. 13-54.
- 9) Paul Krugman, “*The Myth of Asia’s Miracle*,” **Foreign Affairs**, No./Dec. 1994, vol. 73, #6, p. 62-78.
- 10) K.W. Li, “*Hong Kong’s Productivity and Competitiveness in the Two Decades of 1980-2000*,” mimeographed, 2000, City University of Hong Kong.
- 11) Yum K. Kwan and Francis T. Lui, “*Hong Kong’s Currency Board and Changing Monetary Regimes*,” Chapter 15, p. 403-429, in **Changes in Exchange Rates in Rapidly Developing Countries** (NBER-East Asian Seminar on Economics, volume 7), edited by Takatoshi Ito and Anne O. Krueger, 1999, Chicago: University of Chicago Press.
- 12) Yum K. Kwan, Francis T. Lui, and Leonard K. Cheng, “*Credibility of Currency Boards Under Attacks: The Role of Institutional Arrangements*,” Chapter 7, p. 233-259, in **Regional and Global Capital Flows: Macroeconomic Causes and Consequences** (NBER- East Asia Seminar on Economics, vol. 10), edited by Takatoshi Ito and Anne O. Krueger, 2001, Chicago: University of Chicago Press. Also available at <http://www.bm.ust.hk/~ced/main.htm>.

- 13) Yum K. Kwan and Francis T. Lui, “*Deregulation, Profit, and Cost in Commercial Banking: The Case of Hong Kong*,” Chapter 10, p. 305-324, in **Deregulation and Interdependence in the Asia-Pacific Region** (NBER-East Asia Seminar on Economics, volume 8), edited by Takatoshi Ito and Anne O. Krueger, 2000, Chicago: University of Chicago Press. Also available at <http://www.bm.ust.hk/~ced/main.htm>.
- 14) Francis T. Lui, “*Hong Kong’s Residential Housing Market and Housing Policies*,” in **The Other Hong Kong Report 1997**, edited by Joseph Y. S. Cheng, Chinese University of Hong Kong Press, 1997.