Managerial Macroeconomics, ECON 3024, Fall 2016

course website is accessible through http://canvas.ust.hk

Instructor: Yang Lu (yanglu@ust.hk)
Office Hours: by appointment, Room 6059 LSK Bldg
Lecture Time and Location: Tue/Thu 4:30-5:50pm, Room LSK 1034

Teaching Assistant: Alvin Lo (hcloaa@connect.ust.hk)
Office Hours: TBA
Tutorial Time and Location: Wed 6-6:50pm, Room LSK 1034

Course Description:
This course begins with a critical review of the standard models studied in introductory macroeconomics courses, highlighting their limitations and applicability. In the process, we emphasize the role of expectations and the inter-temporal decisions faced by governments, consumers and firms. Building on this foundation, we analyze a host of international macroeconomic and financial issues, including monetary and fiscal policies, exchange rate determination, financial crises, currency risks and their implications for corporate decision-making.

Pre-requisites: Econ 2123

Main Textbook:

Suggested Reading: I encourage you to read and watch:
- Economist: http://www.economist.com
- TED talks: http://www.ted.com/talks

Course Intended Learning Outcomes (Course ILOs)
At the end of the semester, you should be able to
1) analyze qualitatively and quantitatively macroeconomic problems (PILO # 4.1, 4.2)
2) gather and organize the relevant macroeconomic information for practical situations (PILO # 4.1, 4.3, 7.2)
3) evaluate effects of macro shocks and policy changes on firms and industries (PILO # 4.3, 4.4)
Hopefully, you can also
4) develop an appreciation for macroeconomics and a desire to continue further study (PILO # 9)

**Teaching Approach:**
This course is primarily delivered through lectures and tutorials.

<table>
<thead>
<tr>
<th>Teaching &amp; learning activities</th>
<th>Roles in the course</th>
<th>Course ILOs addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lectures</td>
<td>Learn key concepts, models, and their applications</td>
<td>1,2,3,4</td>
</tr>
<tr>
<td>Tutorials</td>
<td>Discuss answers to homework questions and additional economic issues, Q&amp;A for lecture materials</td>
<td>1,2,3,4</td>
</tr>
<tr>
<td>Homework and in-class exercises</td>
<td>Practice problem-solving</td>
<td>1,2,3</td>
</tr>
</tbody>
</table>

**Grading Policy:**

<table>
<thead>
<tr>
<th>Assessment Activities</th>
<th>Weighting</th>
<th>Course ILOs assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class exercises</td>
<td>10%</td>
<td>1,2,3,4</td>
</tr>
<tr>
<td>Homework</td>
<td>10%</td>
<td>1,2,3,4</td>
</tr>
<tr>
<td>Midterm exam (Oct 18 in class)</td>
<td>30%</td>
<td>1,2,3</td>
</tr>
<tr>
<td>Final exam (cumulative)</td>
<td>50%</td>
<td>1,2,3</td>
</tr>
</tbody>
</table>

**Class exercises:**
I value class participation since active class participation is essential for an engaging atmosphere of learning. Throughout the semester, I will promote interactive classroom activities and you are expected to participate in them actively. To reward class participation:
- There will be 5 random in-class exercises throughout the semester.
- You will earn 2% of your course score by **completing** one in-class exercise.
- A random fraction of your exercises will be graded but the results will not affect your scores. It is merely for the purpose of information collection.

**Homework:** you will be given two problem sets during the semester.
- Download the problem set from the course website, print it single-sided on A4, and write your answer in the provided space.
- Group study is encouraged, but you have to turn in your own written answers. **Each page** of your answer sheets MUST have your name (surname goes first) and student ID clearly written at the **upper right** corner. Please do NOT write your name and student ID in pencil.
- You should put your completed problem set in a box that will be available in the general office of the Economics Department before 5pm on each due date. Late problem sets will NOT be accepted. Faxed or emailed problem sets will NOT be accepted.
- In case you are sick and cannot hand in the problem set in time, please email your TA on the due date **before** 5pm with photos of your completed problem set attached. In addition, the hard copy of your completed problem set, together with a valid medical or legal document, should be delivered to your TA no later than the tutorial following the due date. If you fail to do so, you will receive 0 for this problem set.
• For each problem set, your TA will randomly select a fraction of the questions to grade but he will also check whether you have done the rest. The questions selected will be the same for all students.

Midterm exam: There will be NO make-up exam for midterm.
• If you are going to miss the midterm for medical reasons (you will need to provide a valid medical or legal document), please email me before the exam. Your final exam will then count for 80% of your grade. If you fail to do so, you will receive 0 for the midterm exam.

Final exam: A make-up exam will only be given in the case of illness for the final exam.
• You must notify me by email before the exam for approval.
• You must provide a valid medical or legal document.
• The make-up exam will take the form of an essay or a report on an assigned topic.

Grading Disputes: With the exception of arithmetic errors, the instructor will handle them. In order to avoid problems associated with self-selection, disputes on individual questions will result in re-grading of the entire problem set or exam by the instructor. The re-graded score will be final and it may be higher or lower than the original one. Requests for re-grading must be submitted in writing to the instructor within one week since the score is first published.

Letter Grades of This Course:
• Your final score of this course will be the weighted average of your scores in all problem sets and two exams. The weighting scheme is the one specified above.
• The final scores of all students will be pooled together and your letter grade will be given according to a grading curve. Top 20% of the class will get grades of ‘A’ category. The next 40% of the class will get grades of ‘B’ category.

Ground Rules:
Mobile phones and any other disturbing electronic devices must be switched to the silent mode. Students are expected to attend all the classes on time. The two exams are based on the materials covered in class. If you have to miss some classes due to medical reasons, you are responsible to make it up by self-studying the posted lecture notes and consulting your classmates. Note that there will be NO review sessions.

Academic honesty and integrity can never be emphasized enough, and any violation will be seriously punished. Please get familiar with the rules by checking the following website: http://www.ust.hk/vpaao/integrity/.

Final Notes:
Student feedback is essential for course improvement. Throughout the semester, I will ask you to fill in the scorecard of a particular lecture from time to time. At any time during the semester you may also orally or anonymously (e.g., via campus mail, or slip a note under my office door) give me feedbacks of the lectures.
Tentative Topics: (depending on our progress, we may or may not cover all these topics)

Overview of the economy:

Part 1: Markets and Important Variables
  1. The Goods Market, GDP, Price and Inflation
  2. The Money Market, Nominal and Real Interest Rates
  3. Labor Market and Unemployment Rate
  4. Financial Markets, Asset Prices and Expected Present Discounted Value

Why does the economy fluctuate? – The demand story
How do expectations affect the short-run fluctuations?

Part 2: The Short Run
  1. The Goods Market without Expectations
  2. Expectations, Consumption and Investment
  3. The Money Market
  4. The IS-LM Model
  5. Expectations and the IS-LM Model
  6. Expectations and Financial Markets

Why does the economy fluctuate? – The supply story
How are expectations formed?

Part 3: The Medium Run
  1. The Labor Market
  2. The AS-AD Model
  3. The Phillips Curve and Disinflation

How do economies interact?

Part 4: The Open Economy
  1. Openness in Goods and Financial Markets
  2. IS-LM Model in an Open Economy
  3. Exchange Rate Regimes
  4. Expectations and Currency Crisis

How to utilize our models?

Part 5: Real World Applications
  1. Financial Crisis
  2. China’s RMB exchange rate and current account imbalance (notes)