Course Syllabus

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Tutorials: Wednesday 11:00-11:50 a.m. (Room 1007 LSK Bldg)

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)
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</td>
<td>Practice problem-solving</td>
<td>1,2,3</td>
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Grading Policy:

<table>
<thead>
<tr>
<th>Assessment Activities</th>
<th>Weighting</th>
<th>Course ILOs assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Project</td>
<td>20%</td>
<td>1,2,3,4</td>
</tr>
<tr>
<td>Midterm exam (7 April 2017)</td>
<td>30%</td>
<td>1,3</td>
</tr>
<tr>
<td>Final exam (cumulative)</td>
<td>50%</td>
<td>1,2,3</td>
</tr>
</tbody>
</table>

Group Project: Details to be announced.

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 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 from the date 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 the Group Project and the 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 the textbook, lectures and tutorials. If you have to miss some classes due to medical or personal reasons, you are responsible to make it up by self-studying 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/](http://www.ust.hk/vpaao/integrity/).

**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. Technology Progress and Unemployment
4. The Phillips Curve
5. Disinflation, Money Growth, Nominal and Real Interest Rates

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: Other Topics

1. Financial Crisis
2. Debt Crisis