Instructor: Yang Lu (yanglu@ust.hk)
Office Hours: by appointment, LSK 6059
Lecture Time and Location: Mon 3-4:30pm/Fri 10:30-11:50am, LSK G007

Teaching Assistant: Astor Fok
Office Hours: TBA
Tutorial Time and Location: Wed 2-2:50pm, LSK G007

**Course Description:**
This course modifies and extends the standard models studied in introductory macroeconomics course (2123), 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 macroeconomic and financial issues, including monetary and fiscal policies, financial crises, and exchange rate policies, in order to help the students better understand the connection between macro theories and real economic issues.

**Pre-requisites:** Econ 2123

**Main Textbook:**
Remark: This edition is significantly different from the previous ones. You are strongly advised to purchase it from the bookstore.

**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.

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<th>Teaching &amp; learning activities</th>
<th>Roles in the course</th>
<th>Course ILOs addressed</th>
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<tr>
<td>Lectures</td>
<td>Learn key concepts, models, and their applications</td>
<td>1,2,3,4</td>
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<tr>
<td>Tutorials</td>
<td>Review materials of ECON 2123; discuss homework questions and additional practice questions (both analytical and numerical).</td>
<td>1,2,3,4</td>
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<td>Homework and in-class exercises</td>
<td>Practice problem-solving</td>
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Grading Policy:

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<th>Assessment Activities</th>
<th>Weighting</th>
<th>Course ILOs assessed</th>
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<tr>
<td>Homework</td>
<td>10%</td>
<td>1,2,3</td>
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<tr>
<td>Midterm exam</td>
<td>35%</td>
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<tr>
<td>Final exam (cumulative)</td>
<td>55%</td>
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Course Policy:

Tutorial: There will be weekly tutorial. It serves three purposes: 1) briefly review materials from ECON2123 on which the current course is based; 2) study practice questions to gain better understanding about the course materials and to acquire data processing skills; 3) discuss homework questions.

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/](http://www.ust.hk/vpaao/integrity/).

**Final Notes:**
Student feedback is essential for course improvement. At any time during the semester you are encouraged to give me and/or the TA feedbacks on the lectures and/or the tutorials orally or anonymously (e.g., via campus mail, or slip a note under my office door). End-of-course survey is another excellent way for you to provide detailed feedbacks of the course. Every voice should be heard!
Tentative Topics: (depending on our progress, we may or may not cover all these topics)

Overview of the economy:

1. Monetary policies and the LM relation (Chapter 4, 5.2, notes)
2. The IS-LM model (Chapter 5.3, 5.4)
3. The extended IS-LM model (Chapter 6.1-6.4)
4. The 2018 financial crisis (Chapter 6.5)
5. The Phillips Curve (Chapter 8)
6. The IS-LM-PC Model (Chapter 9)

Expectations

1. Financial markets and expectations (Chapter 14)
2. Expectations, Consumption, and Investment (Chapter 15)
3. Expectations, Output, and Policy (Chapter 17)

Back to Policy

1. Should policy makers be restrained? (Chapter 21)
2. Fiscal policy: a summing up (Chapter 22)
3. Monetary policy: a summing up (Chapter 23)
4. Exchange Rate Regimes (Chapter 20)
5. China’s RMB exchange rate and current account imbalance (notes)