**Course Description:**

This is an introductory course to **macroeconomic theory** and **policy analysis**. It covers the **measurement** of **macroeconomic variables**, the **short-run** and **medium-run analysis** of the economy, and the analysis of long-term economic growth (if time allows). The first part addresses the measurement issues of aggregate economic activity. We will introduce key macroeconomic variables (like GDP, unemployment, inflation, etc.) and use these variables to assess the performance of the aggregate economy. In the second part, we will set up two related modelling frameworks to analyze how the economy behaves in the short and medium run. Two main issues in the short- and medium-term analysis are how the equilibrium (a state in which quantity demanded equals quantity supplied) in the economy are determined and how different factors (or shocks) can affect the equilibrium of the economy. The economy generally consists of three markets, namely **goods** market (with buyers and sellers), **financial** market (with borrowers and lenders), and **labour** market (with employers and workers). The **IS-LM** model will be introduced to analyze the goods and financial markets in the short run. We then analyze the labour market and combine all the three markets together to form the **AS-AD** model for the medium-run analysis. We focus on a **closed economy** setting first and then extend the models in an **open economy** setting. The analytical frameworks presented in this course will be also used to examine the effects of **monetary** and **fiscal** policies on the economy. Depending on time, we may cover briefly the long-run analysis of economic growth.
Required Textbook


Please note that the 7th edition of the book is available in the university bookstore. However, some chapters of the 6th edition will be used. For students who cannot find the 6th edition, the corresponding chapters and supplementary readings will be posted on the course website.

Lecture slides are downloadable from the course website. However, please note that the main purpose of using lecture slides is to facilitate teaching. You should not rely entirely on lecture slides to prepare assignments, midterm, and final exam. You should read the chapters of the textbook for reviewing.

Learning Outcomes – School Intended Learning Outcomes (“SILOs”):

Upon successful completion of this course, you should be able to:

1) Identify important macroeconomic variables and understand their relationships; (SILO # 4.1)
2) Gather and organize the relevant macroeconomic information for a given context; (SILO # 7.2)
3) Apply tools learnt in class to analyze some historical and current macroeconomic events. (SILO # 4.2)
4) Understand the operation of open economy and exchange rate related topics. (SILO #6.1)
5) Discuss the consequences of a macroeconomic shock or a policy shock; (SILO # 4.3)
6) Develop an appreciation for macroeconomics and a desire to continue further study. (SILO #9)

Teaching Approach

This course is primarily delivered through lectures, tutorials, and in-class discussions.

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<tr>
<th>Teaching &amp; Learning Activities</th>
<th>Roles in the Course</th>
<th>Course Learning Outcomes Addressed</th>
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</thead>
<tbody>
<tr>
<td>Lectures</td>
<td>Explain key concepts, models, and their applications; Cases and examples to build student’s critical and analytical ability</td>
<td>1, 2, 3, 4, 5, 6</td>
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<tr>
<td>In-class discussions</td>
<td>Encourage class participation, critical thinking and discussion</td>
<td>1, 2, 3, 4, 5, 6</td>
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<tr>
<td>Tutorials</td>
<td>Review basic concepts and models, practice problem-solving, present answers to homework and exams</td>
<td>1, 2, 3, 4</td>
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<tr>
<td>Homework assignments</td>
<td>Enhance understanding of course materials and their application through problem-solving practice</td>
<td>1, 2, 3, 4, 5</td>
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Assessment Scheme

This course will be graded based on:

- Assignments: 20%, 4 problem sets (5% each), due on Sep 26, Oct 10, Nov 7, Nov 28
- Midterm: 35%, in-class, Oct 19 (tentative)
- Final exam: 45%, cumulative

Please submit your assignments in hard copy to the collection box (6th floor of LSK, outside ECON dept. office) no later than 6pm on the due dates. Any late submission will result in Zero mark.

There will be no make-up midterm. In case you miss the midterm due to sickness or other unforeseeable emergencies, you must present an official document justifying the absence. The weight of the midterm will then be added to the final exam.

The final exam period will be December 8-20. If you plan to travel at the end of the semester, please avoid any schedule clash. Request for a change of final exam date will not be accommodated.

Course Outline:

I. Introduction and Measurement of Macroeconomic Variables (Chapters 1 and 2)

II. Short-run and Medium-run Analysis of the Closed Economy
   - The Goods Market (Chapter 3)
   - Financial Markets I (Chapter 4)
   - Goods and Financial Markets: The IS-LM model (Chapter 5 of the 6th edition, will be provided)
   - The Labor Market (Chapter 7)
   - Putting All Markets together: The AS-AD Model (Chapter 7 of the 6th edition, will be provided)

III. Short-run and Medium-run Analysis of the Open Economy
   - Openness in Goods and Financial Markets (Chapter 17)
   - The Goods Market in an Open Economy (Chapter 18)
   - Output, the Interest Rate, and the Exchange Rate (Chapter 20 of the 6th edition, will be provided)

IV. Economic Growth (if time permits)
   - The Facts of Growth (Chapter 10)
   - Saving, Capital Accumulation, and Output (Chapter 11)
Academic Policy:

Dishonesty or plagiarism will not be tolerated. Any student violating HKUST Academic Integrity and Honor Code (http://www.ust.hk/vpaao/integrity) will be subjected to disciplinary procedure. Any student observed cheating on exams, or plagiarizing material, will receive an “X” for the course, to show that the grade resulted from cheating. This X grade stays with your record until graduation. If you cheat again and “earn” another X grade, you will be dismissed from the University.