



**Department of Economics  
Hong Kong University of Science and Technology**

**Economics 2123  
Macroeconomics  
Spring 2019**

**Lecture: Jenny Xu**  
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**Office Hours:**  
**Wednesdays, 2:00-3:00 pm**  
**or by appointment**

**Time and Venue: Wednesday and Fridays, 4:30-5:50 pm; Room LSK 1009**  
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**Please go to CANVAS to find course related material.**

***Teaching Assistant:*** *Hector Cheung, Email: [ehector@ust.hk](mailto:ehector@ust.hk)*  
*Office Hour: Monday 10-11*  
*Office Number: LSK 6066*

***Required Textbook:*** Blanchard, Olivier *Macroeconomics*, Global Edition, 7/E,  
Prentice Hall, 2016

Actually if you can get Blanchard, Olivier *Macroeconomics*, Global Edition, 6/E, it is also ok or even better, since some Chapters will be taken from the 6<sup>th</sup> edition. Unfortunately, it is no longer available from the publisher.

***Course Description:***

This course is an introductory course to macroeconomic theory and policy analysis. In this course we will study how the output, the price level, and the employment are determined in the short-run, medium-run and long-run, in both closed and open economies. We will also investigate what monetary and fiscal policies can and should do to influence economic conditions.

First, we will introduce some key macro variables that measure aggregate economic performance. Then we will study the economies in the short and medium run. In the

**short run** movements in output are largely driven by movements in aggregate demand and supply constraints can be ignored. The IS-LM model is derived and the effects of fiscal policy and monetary policy on output and the interest rate are discussed.

In the short run, the demand side matters. However, the supply side, such as the labour market, will also be important if we look at more longer horizon. So we will consider the impact of supply side impact and analyse the output determination in the **medium run**. The AS-AD model is derived and used to examine the impact of various policies on the economy in the short run and in the medium run.

Having understood how price and output are determined in closed economy, an important and necessary extension, especially applicable to Hong Kong and the Asia-Pacific region, is to extend the study to open economy models. How the openness in goods and financial market affect the output, price and exchange rate determination? We will focus on issues like the exchange rate determination, and the impact of monetary, fiscal and exchange rate policy in open economy.

In the short run, business cycles (fluctuations around the trend of growth) are important. However, in the long run, what dominates is not fluctuations, but growth. So the determinants of long-term economic growth are also investigated.

### ***Course Objective:***

#### **This course aims**

- (i) to give the important questions of macroeconomics and the main components of macroeconomics theory;
- (ii) to help students to develop the necessary concepts and tools to analyze the current macroeconomic events and its impact on the business environment and the economy;
- (iii) to enable students to understand and evaluate the effects of various government policies on the business environment and the economy;
- (iv) to encourage students to think critically and creatively when making effective economic decisions and policy suggestions supported by macroeconomic theories and analytical and quantitative techniques.

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

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

1. Have a general knowledge of macroeconomics. Describe the main questions in macroeconomics and the main components of standard Macroeconomic theories. Explain the impact of each key component and the consequence of including them; and critique the applicability of models; (SILO # 4.1)

2. Apply the macroeconomic concepts, principles, and models to analyze economic phenomena, conduct economic analysis of the economy and society, and carry out independently applied research in macroeconomic problems. (SILO # 4.2)
3. Apply macroeconomics model to analyze macroeconomic issues and effects of monetary and fiscal policies such as lowering interest rates, possible effects and causes of recent financial crisis, and policies that may promote economic growth. (SILO # 4.3) (SILO #6.1)
4. Analyze qualitatively and quantitatively basic macroeconomic problems, apply your knowledge to practical situations and make sound economic decisions or even policy suggestions, and adapt to changes in business and social environments and professional requirements. (SILO #1)
5. Communicate effectively in oral and written English. (SILO #2) (SILO #6.1)
6. Demonstrate proficiency in using IT applications in business and management. Locate, gather, and organize information using appropriate information technology and systems. (SILO #7)

For the details of SILOs, please refer to:

<http://www.bm.ust.hk/sbmlern/eng/thirdcat.php?sid=5&thirdid=3>

### ***Teaching Approach***

**This course is primarily delivered through lectures, tutorials, and class discussion.**

| <b>Teaching and Learning Activities</b> | <b>Roles in the Course</b>  | <b>Course Learning Outcome addressed</b> |
|---|---|--|
| Lectures with in class discussions      | Explain key concepts and models to students   | 1, 2, 3, 4, 5, 6                         |
| Tutorials                               | Review basic model and concepts, practice problem-solving, presenting answers to homework and exams | 2, 3,4,5                                 |
| Homework assignments                    | Practice problem solving, apply models to analyze current economic issues                           | 1,2,3,4,5,6                              |

### ***Course Outline:***

I Introduction (Chapter 1&2)

## II Economy in the short run

1. The Goods Market (Chapter 3)
2. Financial Markets I (Chapter 4)
3. Goods and Financial Markets: The IS-LM model (Chapter 5)

## III Economy in the medium run

1. The Labor Market(Chapter 7)
2. Putting All Markets together (Chapter 7 of the sixth edition, will be provided)

## IV Open Economy

1. Openness in Goods and Financial Markets (Chapter 17)
2. The Goods Market in an Open Economy (Chapter 18)
3. Output, the Interest Rate, and the Exchange Rate (Chapter 19)

## V Economic Growth (If time permits)

1. Facts of Growth (Chapter 10)
2. Saving, Capital Accumulation, and Output (Chapter 11)
3. Technological Progress and Growth (Chapter 12)

**Remark:** Depending on our progress, we may or may not cover all these topics. The associated chapters in Blanchard are in parentheses, and I highly encourage you to read them entirely.

### ***Grading:***

|                                      |              |
|--------------------------------------|--------------|
| <b>Problem Sets</b> -----            | <b>21.5%</b> |
| <b>Midterm Exam</b> -----            | <b>30%</b>   |
| <b>Final Exam (Cumulative)</b> ----- | <b>45%</b>   |
| <b>Class participation</b> -----     | <b>2%</b>    |
| <b>Tutorial participation</b> -----  | <b>1.5%</b>  |

1. There will be four Problem Sets, each worth 25% of your final assignment grade. Problem sets should be handed in to your teaching assistant in tutorial on the due date. **In order to insure the timely posting of the answer keys, no late problem sets will be accepted.**

2. Midterm is scheduled in class on Friday, **March 22nd, 2019**. There will be no make-up midterm exams. If for any reason, you cannot write the exam, please let me know in advance and the weight for the midterm will be shifted to the final.
3. If you miss the final, you will get an F in the course.
4. Exams are closed book and closed notes. You can request a review of the grade within two weeks after the exam is returned to you. After that period grades can NOT be revised.
5. Marks for class participation (2%) will be decided based on attendance, discussion performance, and classroom conduct. Misconduct in class, such as late arrival, early leaving, chatting, surfing, and using mobile phones will result in losing part or all of class participation marks.
6. Marks for tutorial participation (1.5%) will be decided mainly on tutorial attendance and tutorial class participation.

**Lecture Notes:** I will post power point slides for each chapter. However, during the lecture I will give more detailed explanation. Each student is responsible for lectures missed due to absences. Thus, it is suggested that each student secure notes from a student who attended the class.

**Academic Policy:** Dishonesty or plagiarism will not be tolerated. Any student violating **HKUST Academic Integrity and Honor Code** (<http://www.ust.hk/vpaa0/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.

**Classroom Courtesy:** Class discussions will be conducted in an orderly fashion. Late arrival and early leave will not be tolerated. You should ask for my permission first if you have any emergent situation to attend. If a student must enter the classroom after class has begun, please do so as quickly and quietly as possible. You are welcome to bring your laptop to class in order to take notes. However, since we use a lot of graphs for illustration, it is recommended that you write notes down. **Note that you may not engage in distracting behavior such as using your laptop to surf the Web, to check e-mail, or to do instant-messaging. Chatting or using mobile phones in class is not allowed either.** Violators will lose part or all class participation marks. I will also reserve the rights to not allowing violators to write the exams. For general guidelines about proper classroom behavior, please consult: [http://www.ust.hk/vpaa0/conduct/good\\_learning\\_experience.pps](http://www.ust.hk/vpaa0/conduct/good_learning_experience.pps)

**No Make-up of Course Requirements:** No make-up examinations will be administered except under very unusual circumstances. If something prevents you from attending an exam or from turning in an assignment on time, you should notify me, and we can make alternative arrangements **BEFORE** the exam or class period during which the assignment is due. Note that outside activities or more than one exam in a day are not acceptable excuses for missing an exam or turning in an assignment late. (Please plan accordingly!) If I am not contacted in advance, where possible, I will reserve the right to assign a failing grade for the exam missed.

**Student Counseling:** Students who are experiencing difficulty with the course should visit the instructor during office hours or by appointment.

***Final Notes:***

Student feedback is essential for course improvement. I encourage continuous teaching evaluation. At any time during the semester you may orally or anonymously (e.g., via campus mail, or slip a note under my office door) give me an evaluation of my performance. This evaluation could include the following headings: 1) Things that I like; 2) Things that I dislike; and 3) Suggestions for improvements.