

Hong Kong University of Science and Technology
Macroeconomic Theory I, EC 3123, Spring 2019
(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:

Wed, Fri 13:30-14:50, Room 5619 (Lift 31-32) Main Academic Building

Teaching Assistant: Astor Fok (ecastor@ust.hk)

Office Hours: TBA, Room 6066A LSK Bldg

Tutorial Time and Location:

Fri 18:00-18:50, Room 1104 (Acad Concourse) Main Academic Building

Course Description:

This course is an introduction to macroeconomic theory and policy analysis. We will start by introducing key macro variables that measure 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. In the medium run both supply (labor) and demand movements will determine output. We develop an IS-LM-PC framework to examine the impact of various policy changes and aggregate shocks on the economy in the short run and in the medium run. Finally, we will examine the process of long-term economic growth.

Main Textbook:

Blanchard, Macroeconomics, 7th edition (2017), Pearson Education Inc.

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

Pre requisites

This course is for BSc degrees in Economics and also available to other students as permitted by the regulations. Students are also expected to have completed an introductory mathematics course.

Learning Outcomes:

At the end of the semester, 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 understand the consequence of each key assumption. Critique the applicability of models and analyze qualitatively and quantitatively basic macroeconomic problems. (PILOs #1, #4)
2. Locate, gather, and organize information using appropriate information technology and systems. (PIOLs #6)
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. (PILO #1,#3, #4)

- Apply the macroeconomic concepts, principles, and models to practical situations and make sound economic decisions, and adapt to changes in business and social environments and professional requirements. (PILO #1, #3, #8)

Please refer to: <http://www.bm.ust.hk/econ/programs-n-courses/ug-programs/ecof/curriculum> for BSc Econ Program Intended Learning Outcomes.

Teaching Approach:

This course is primarily delivered through lectures and tutorials.

Teaching & learning activities	Roles in the course	Course ILOs addressed
Lectures	Learn key concepts and models and their applications	1,2,3,4
Tutorials	Review basic math, discuss answers to homework questions and additional economic issues	1,2,3,4
Homework assignments	Practice problem-solving	1,2,3

- Each week, your TA will go through some problems (both technical ones and empirical ones) during the tutorial time. Please bring a **laptop to the tutorial** for the empirical exercise.
- Please bring a **PRS (personal response system) handset to every lecture**. If you do not have one, you can borrow it from ITSC Service Desk in Room 2021 (Lift 2).

Grading Policy:

Assessment Activities	Weighting	Course ILOs assessed
Homework	10%	1,3
Midterm exam (Mar 20 in class)	35%	1,3
Final exam (cumulative)	55%	1,3

Homework: you will be given **two** problem sets during the semester.

- 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 **before 5pm on** the due date 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 she 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 90% 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. Typically, the top 20% of the class will get grades of A category. The next 40% of the class will get grades of B category. But the exact percentages will be adjusted according to the actual performance of the class.

Course Requirement:

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/vpaa0/integrity/>.

Suggested Reading and Audio Materials:

- Magazine: Economist (<http://www.economist.com>)
- Podcast: Freakonomic Radio

Course Outline:

I Introduction (Chapter 1& 2)

II Economy in the short run

1. The Goods Market (Chapter 3)
2. Financial Markets and Monetary Policies (Chapter 4, 6, notes)
3. Goods and Financial Markets: The IS-LM model (Chapter 5)
4. The extended IS-LM model (Chapter 6.1-6.4)
5. The 2008 Financial Crisis (Chapter 6.5, notes)

III Economy in the medium run

1. The Labor Market (Chapter 7)
2. The Phillips Curve, the Natural Rate of Unemployment and Inflation (Chapter 8)
3. The IS-LM-PC Model (Chapter 9)

IV Economic Growth

1. Facts of Growth (Chapter 10)
2. Saving, Capital Accumulation, and Output (Chapter 11)
3. Technological Progress and Growth (Chapter 12)
4. Technological Progress, Wages and Unemployment (Chapter 13)

Remark: Depending on our progress, we may or may not cover all these topics. Our lecture notes are mainly based on but **not limited to** the textbook materials (the associated chapters in Blanchard textbook are in parentheses).

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.