

Hong Kong University of Science and Technology
Macroeconomic Theory I, EC 3123, Fall 2020
(course website is accessible through <http://canvas.ust.hk>)

Instructor: Yang Lu (yanglu@ust.hk)
Office Hours: by appointment, LSK 6059
Lecture Time: Mon, Wed 12-1:20pm
Lecture Link: <https://hkust.zoom.us/j/91617613817>

Teaching Assistant: Astor Fok (ecastor@ust.hk)
Office Hours: by appointment, LSK 6066A
Tutorial Time: Wed 5-5:50pm
Tutorial Link: Zoom Meeting (check your canvas for the meeting ID)

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), Global edition, Pearson.

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.

Ground Rules:

Students are expected to attend all the classes **on time**. In each online lecture, make sure that you have your screenname changed to “**nickname (itsc username)**” to facilitate class participation (10% of course grade). You are also expected to **keep your video camera on** with your face shown during the entire session.

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. (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. (PILO #1,#3, #4)
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:

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 course materials, discuss homework questions and additional exercises	1,2,3,4
Homework assignments	Practice problem-solving	1,2,3
In-class activities	Reinforce understanding and economic intuition	1,3
Group debate	Apply course materials to understand policy issues	1,2,3,4

Grading Policy:

Assessment Activities	Weighting	Course ILOs assessed
Class participation	10%	1,3
Team debate	20%	1,2,3,4
Homework	10%	1,3
Midterm (Oct 21 in class)	25%	1,3
Final (cumulative)	35%	1,3

Class participation:

- Your participation score will depend on your **active participation** in the class meetings. This will be evaluated through your attendance in the class meetings, and participation in the in-class activities. **If you are found to be inactive at some point in lecture, your attendance will not be counted for that lecture.**
- Make sure that you have a working video camera and stable internet connection for each lecture.
- Students who actively ask questions, answer questions and make comments will also receive extra credit.

Team debate:

- The whole class will be divided into 6 or 8 teams (randomly assigned). The 6 or 8 teams will debate on 3 or 4 topics during the lecture time towards the end of the course. The topic and the stand will be randomly assigned to each team. Details of the debate will be specified later.

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. You should submit the problem set answers by uploading them on Canvas Assignment before the deadline. **Late submission will not be accepted.**

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 and Astor **before** the

exam. Your final exam will then count for 60% of your grade. If you skip midterm without any advance notification and justifiable cause, you will receive 0 for the midterm exam.

Final exam: A make-up exam will only be granted on medical grounds.

- You must notify me and Astor 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.

Academic honesty:

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/vpao/integrity/>.

Final Notes:

Student feedback is essential for course improvement. At any time during the semester you are encouraged to give me and/or Astor 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.

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).