GENERAL INFORMATION

I. Instructor: Dr. Claudian Kwok  
   Email: cskwok@hku.hk  
   Office: KK 1116  
   Phone: 3917-1034  
   Lecture: Monday 11:30 am – 12:20 pm KB113  
            Thursday 10:30 am – 12:20 pm KB113  
   Office Hours: TBA

II. Pre-requisite  
   This is an advanced Macroeconomics course intended for senior students with a Major in Economics.

   The pre-requisites of the course are Intermediate Microeconomics (ECON 2101 / ECON 2210) AND  
   Intermediate Macroeconomics (ECON 2102 / ECON 2220).

   Mathematics (e.g., Calculus) and Statistics will be used extensively in the course.

III. Course Website: TBA

IV. Textbook  
   The main references of this course are journal articles (the list is presented on the second last page of  
   this syllabus).

COURSE DESCRIPTION

This course studies the role of the financial sector in the macro-economy, in particular,  
   (i) the relationship between the development of the financial sector and the long-term economic  
       growth of an economy, and  
   (ii) the dynamic interaction between the financial sector and short-term aggregate fluctuations.

Both theories and empirical evidence will be considered.
To study the (non-trivial) role of the financial sector, we will adopt a class of dynamic general equilibrium models in which asymmetric information exists in the financial sector. The following three articles will serve as the foundation of the course.


### COURSE OBJECTIVES

(1) To study the role of the financial sector in the macro-economy, in particular,
   (a) the role of financial development in the long-term growth of an economy, and
   (b) the dynamic interaction between the financial sector and short-run aggregate fluctuations.

(2) To introduce students to a class of dynamic general equilibrium models in which frictions in the financial sector are modeled explicitly. By the end of the semester, students will be able to understand the essence of the models in Bernanke and Gertler (1989) and Williamson (1987).

### COURSE LEARNING OUTCOMES

<table>
<thead>
<tr>
<th>Course Learning Outcomes</th>
<th>Faculty Overall Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLO1 Students will develop an in-depth understanding on the role of the financial sector in the macro-economy</td>
<td>1, 2</td>
</tr>
<tr>
<td>CLO2 Students will understand a class of dynamic micro-foundation macro-economic models</td>
<td>1, 2</td>
</tr>
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</table>
COURSE TEACHING AND LEARNING ACTIVITIES

<table>
<thead>
<tr>
<th>Course Teaching and Learning Activities</th>
<th>Expected contact hour</th>
<th>Study Load (% of study)</th>
</tr>
</thead>
<tbody>
<tr>
<td>T&amp;L1. Lectures</td>
<td>36</td>
<td>30%</td>
</tr>
<tr>
<td>T&amp;L2. Self-Study</td>
<td>84</td>
<td>70%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Assessment Methods*

<table>
<thead>
<tr>
<th>Assessment Methods*</th>
<th>Weight*</th>
<th>Aligned Course Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1. Exercise</td>
<td>10%</td>
<td>1,2</td>
</tr>
<tr>
<td>A2. Term Test</td>
<td>30%</td>
<td>1,2</td>
</tr>
<tr>
<td>A3. Final Exam</td>
<td>60%</td>
<td>1,2</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

*To be confirmed at the beginning of the semester

Term Test and Final Exam

✓ The final exam is cumulative.

✓ The term test and the final exam are closed book and closed notes. You will need to bring a calculator to the term test and the final exam.

✓ You will need to bring a Calculator to the term test and the final exam.

Tutorials

There will not be any regular tutorial for the course. However, a special tutorial may be arranged if necessary.

Class Attendance

Since there is no textbook for the course, class attendance will be important for students to learn the course materials.
<table>
<thead>
<tr>
<th>Course Grade Descriptors</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>A+, A, A-</td>
<td>Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesize</td>
</tr>
<tr>
<td>B+, B, B-</td>
<td>Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesize</td>
</tr>
<tr>
<td>C+, C, C-</td>
<td>Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning such as describe and apply but not at high levels of learning such as to evaluate and synthesis</td>
</tr>
<tr>
<td>D+, D</td>
<td>Evidence of basic familiarity with the subject</td>
</tr>
<tr>
<td>F</td>
<td>Little evidence of basic familiarity with the subject</td>
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</tbody>
</table>
### Assessment Rubrics for Each Assessment

<table>
<thead>
<tr>
<th>Performance Level</th>
<th>Assessment Rubics for Exercise, Term Test and Final Exam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding</td>
<td>Answers to all or almost all of the questions:</td>
</tr>
<tr>
<td>A+, A, A-</td>
<td>(a) provide correct analysis of all the issues raised by the question, and</td>
</tr>
<tr>
<td></td>
<td>(b) are presented in a clear and logical manner.</td>
</tr>
<tr>
<td>Proficient</td>
<td>Answers to most of the questions:</td>
</tr>
<tr>
<td>B+, B, B-</td>
<td>(a) provide correct analysis of the main issues raised by the question, and</td>
</tr>
<tr>
<td></td>
<td>(b) are presented clearly.</td>
</tr>
<tr>
<td></td>
<td>And for the rest of the questions, most of the answers provide some reasonable analyses of the main issues raised by the questions.</td>
</tr>
<tr>
<td>Competent</td>
<td>Answers to the majority of the questions provide correct analysis of the main issues raised by the question.</td>
</tr>
<tr>
<td>C+, C, C-</td>
<td>And for the rest of the questions, some of the answers provide reasonable analyses of some of the issues raised by the questions.</td>
</tr>
<tr>
<td>Adequate</td>
<td>Answers to the majority of the questions provide reasonable analysis of the main issues raised by the questions.</td>
</tr>
<tr>
<td>D</td>
<td></td>
</tr>
<tr>
<td>Failure</td>
<td>Few of the answers provide reasonable analysis of the main issue raised by the questions.</td>
</tr>
</tbody>
</table>
(1) Role of the Financial Sector in a neoclassical growth model with complete markets
   Solow’s Growth Model and Real Business Cycle Model in an infinite time horizon two-period lived overlapping generations environment

(2) Frictions in the Financial Sector
   Optimal contracts and institutional arrangements in environments with:
   - Moral Hazard
   - Costly State Verification

(3) Relationship between the Financial Sector and the Macro-economy
   Financial Accelerator, capital accumulation and the role of financial intermediaries in an infinite time horizon two-period lived overlapping generations model with frictions in the financial sector

(4) Financial Crisis
   Credit Booms and Asset Bubbles: Causes and Consequences

(5) Empirical Evidence
   - Development of the Financial Sector and Long-Term Economic Growth
   - Financial Sector and Short-term Aggregate Fluctuations
**REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS** (e.g. journals, textbooks, website addresses etc.)

The following is a tentative list of the core readings for the course. The exact reading materials will be announced during the semester when we cover specific topics.


### MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE

- conducting mid-term survey in additional to SETL around the end of the semester
- Online response via Moodle site
- Others: ________________________ (please specify)

### COURSE POLICY (e.g. plagiarism, academic honesty, attendance, etc.)

**Term Test and Final Exam**

- There will be no make-up for the term test. If you do not attend the test, you will automatically get zero mark for the test.

  However, if there is a legitimate medical reason that you miss the test, you will need to inform the teacher or the teaching assistant and provide medical certificate within 72 hours of the test. In such case, the weight of the term test will be allocated to the final exam.

- If you cheat in any of the term test or the final exam, you will get zero mark for the test or the final exam.

- For the University regulations regarding the final exam, please refer to the Examinations Unit of HKU.

**Exercise**

- Exercise submitted after the deadline will not be accepted. Students who do not submit their exercises on time will get “zero” mark.

- The University Regulations on academic dishonesty will be strictly enforced! Please check the University Statement on plagiarism on the web: [http://www.hku.hk/plagiarism/](http://www.hku.hk/plagiarism/)

### ADDITIONAL COURSE INFORMATION (e.g. e-learning platforms & materials, penalty for late assignments, etc.)