GENERAL INFORMATION

Instructor: Dr. Clement Wong
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Phone: 2859-1037
Email*: ypcelemw@hku.hk
Office hours: TBA
Class: Wednesday, 09:30 – 12:20 in KKLG111

TA: TBA
Email*: TBA
Office: TBA
Tel: TBA
Office hours: TBA

* Please send your emails to the instructor and TA directly from your email account, do not use the email facility in Moodle.

Pre-requisites: ECON2101/ECON2210 Intermediate Microeconomics and ECON2102/ECON2220 Intermediate Macroeconomics

Warning: This is an advanced course in macroeconomics. Students are expected to have a solid background in microeconomics and macroeconomics at the intermediate levels in order to cope with the demand of the course. In addition, since most topics and issues covered in this course are open economy in nature, students are also strongly advised to complete an international macroeconomics course such as ECON2253 before taking this course.

Mutually exclusive courses: N/A
Co-requisites: N/A

COURSE DESCRIPTION

This is an advanced course in macroeconomics with an emphasis on open-economy issues. It introduces the intertemporal models of modern macroeconomics that is built on micro-foundations of individual saving and investment choices. It shows how the interaction of these decisions determines the volume and direction of international capital flows. This basic model is extended to address a number of issues, such as the effect of demographic change on capital flow, international diversification, and the sustainability of external imbalance. The second half of the course turns to conventional nominal exchange rate models under fixed and floating rates. These models are applied to study the conduct of macro policies under different exchange rate regimes, effectiveness of FX intervention, capital controls, and balance-of-payment crises.
## COURSE LEARNING OUTCOMES

<table>
<thead>
<tr>
<th>Course Learning Outcomes</th>
<th>Aligned Faculty Goals</th>
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<tbody>
<tr>
<td>CLO1. To construct and solve various macroeconomic models.</td>
<td>Goal# 1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>CLO2. To understand the linkage between the real and financial sector in an open-economy setting.</td>
<td>Goal# 1, 2, 3, 4, 5</td>
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<tr>
<td>CLO3. To analyze the effects of various shocks or policies to an economy under various assumptions about a country’s economic structure, such as degree of openness, exchange rate regime, and price rigidity.</td>
<td>Goal# 1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>CLO4. To apply the macroeconomics models to issues in macroeconomics, such as the relationship between interest rate and saving, the sustainability of external debt, the effect of capital controls to cope with volatile capital flows, and the transmission and impact of monetary and fiscal policies.</td>
<td>Goal# 1, 2, 3, 4, 5</td>
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* Faculty Goals are as follows:

1. Acquisition and internalization of knowledge of economics & finance
2. Application and integration of knowledge
3. Inculcating Professionalism and Leadership
4. Developing global outlook
5. Mastering communication skill

## 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>
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</thead>
<tbody>
<tr>
<td>T&amp;L1. Lectures</td>
<td>36</td>
<td>35%</td>
</tr>
<tr>
<td>T&amp;L2. Self Study</td>
<td>84</td>
<td>65%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
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</table>

## Assessment Methods

<table>
<thead>
<tr>
<th>Weight</th>
<th>Aligned Course Learning Outcomes</th>
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2
A1. 3 to 4 assignments 15% CLO1-4
A2. In-class midterm exam (date: TBA by the instructor) 15% CLO1-4
A3. Group project and presentation (Group size: 2 to 3) 23% CLO1-4
A4. Final examination (date: TBA by the University) 47% CLO1-4

100%

STANDARDS FOR ASSESSMENT

Course Grade Descriptors

A+, A, A- Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
B+, B, B- Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
C+, C, C- 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 evaluate and synthesis.
D+, D Evidence of basic familiarity with the subject.
F Little evidence of basic familiarity with the subject.

Assessment Rubrics for Each Assessment: same as in course grade descriptors.

REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS

There is no required textbook because course materials will be selected from many sources (books and journal papers) and the reference books are very expensive. The followings are good reference books for the course.


Note: Please also refer to some standard intermediate-level macroeconomic and international macroeconomic textbooks as your own background reading, such as *Macroeconomics*, 8th edition, by Abel, Bernanke, and Croushore, Pearson Addison Wesley. *International Macroeconomics*, 4th edition, by Feenstra and Taylor *(IM_FT)*, Worth Publishers.

* Available as ebook in the library.
COURSE POLICY

1. This course does not have regular weekly tutorials. There will be about 3-4 tutorials. You will be informed when they are scheduled.

2. A lot of derivations will be done only in class. Please bring blank papers to class to take note.

3. Specific reading assignments will be given as the course proceeds. Note that different books/journal papers adopt different notations. Please bear with and get used to this inconvenience.

4. Please do check your email regularly for course announcements from the instructor.

5. Classroom conduct: Be a considerate and mature person. The instructor and TA have the discretion to impose penalty in case of classroom misconduct.
   
   (i) Do not videotape or audio record the lecture without the instructor’s consent.
   
   (ii) Please observe the following good practice:
   
   • Come to class and return from the break on time.
   • In case you are late, minimize disruption to the class by sitting at the back.
   • If you have to leave the class early, please inform the instructor beforehand and sit close to the door.
   • Use of mobile/smart phone for any purposes and chatting are strictly prohibited when the class is in session. Remember to turn off your phone before class starts.

TOPICS

I. Modern Intertemporal Approach to Open Macroeconomics

Two-period and infinite-horizon models of saving, investment, and the current account

Applications of intertemporal open-macro models:
   • Demographic change, international investment and the current account
   • Government spending, budget deficit, and the current account
   • Trade cost and the current account
   • Uncertainty and international diversification
   • Sustainability of net international investment positions

II. Nominal Exchange Rate Models

Monetary models
   • Mundell Flemming model: Monetary policy, fiscal policy, and aggregate demand in an open-economy
   • Portfolio balance model: Consequences and effectiveness of FX intervention

III. Issues

Exchange rate regimes, inflation, and macroeconomic stability
   • Balance of payment crises models
   • Currency crisis and the financial sector (contagion, sudden stop, liquidity crunch, etc.)
   • Capital controls
Note on self-background readings

Students are expected to know some basic open-economy concepts before taking this course, such as the basic IS-LM model, balance of payments (BOP) accounting, national income and product accounting in open-economy setting, and how BOP accounting works under pure float and pure fixed exchange rate systems, and some basic concepts such as interest rate parity and real exchange rate. Recommended self-readings: Chapters 2 and 3 of IM_PM, Chapters 2, 3, 4, and 5 of IM_FT, and Chapter 4 of ERIF.

ACADEMIC CONDUCT

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/. Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

a. Plagiarism - The representation of someone else’s ideas as if they are one’s own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one’s own work. Paraphrasing of someone else's ideas is still using someone else’s ideas, and must be acknowledged.

b. Unauthorized Collaboration on Out-of-Class Projects - The representation of work as solely one’s own when in fact it is the result of a joint effort. Where a candidate for a degree or other award uses the work of another person or persons without due acknowledgement:

(1) The relevant Board of Examiners may impose a penalty in relation to the seriousness of the offence;

(2) The relevant Board of Examiners may report the candidate to the Senate, where there is prima facie evidence of an intention to deceive and where sanctions beyond those in (1) might be invoked.

Plagiarism will automatically result in at least a failing grade for the plagiarized assignment or examination, and possibly the entire course depending on the severity of the case. Serious cases will be referred to the University’s Disciplinary Committee.