Emerging market economies (EMEs) have become a powerhouse and engine of growth of the global economy. According to the IMF, EMEs represented 59% of total global GDP in 2018 and their GDPs will continue to grow notably faster than those in developed markets economies until at least 2023. The promises of this evolution has continued to attract foreign capital inflows into EMEs. As an asset class, EMEs accounts for an increasing share in global institutional investors’ portfolios.

Despite their undeniable economic clouts, many EMEs are in a transition phase and tend to be much more unstable, with more severe boom-bust cycles, episodes of high inflation, and balance of payment crises. An in-depth understanding of macroeconomic performance of EMEs is therefore essential for economists, policy makers and investors. This course applies macroeconomic models to explain the macroeconomic performance of emerging market economies and demonstrates how the aforementioned salient features of emerging market economies affect their macroeconomic performance.

The course aims to provide students with the macroeconomic modelling skills to modify standard macroeconomic models to capture the salient features of typical emerging market economies. By applying these models, students can appreciate how the market institutional factors specific to emerging market economies – such as underdeveloped institutions or lack of credibility of monetary authority – can affect the macroeconomic stability, long-run economic growth, and the efficacy of government policies. Students will evaluate how institutional and policy reforms in these economies may affect their future macroeconomic performance.

Goal 1: Acquisition and internalization of knowledge of the programme discipline

Goal 2: Application and integration of knowledge

Goal 3: Inculcating professionalism and leadership

Goal 4: Developing global outlook

Goal 5: Mastering communication skills
## COURSE LEARNING OUTCOMES

<table>
<thead>
<tr>
<th>Course Learning Outcomes</th>
<th>Aligned Faculty Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLO1: To build a benchmark model of an open economy that exhibits some of the characteristics typical of emerging-market economies such as limited access to international capital market, underdeveloped institutions, managed exchange rate regimes, and wage-price inflexibility.</td>
<td>Goals 1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>CLO2: To assess how various types of economic shocks affect emerging market economies’ macro performance in the short and medium run.</td>
<td>Goals 1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>CLO3: To understand the specific constraints, such as credibility and imperfect market institutions, that affect policy formulation for the government and monetary authority in these economies.</td>
<td>Goals 1, 2, 3, 4, 5</td>
</tr>
</tbody>
</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. Lecture with interactive presentation</td>
<td>36 hours</td>
<td>30%</td>
</tr>
<tr>
<td>T&amp;L2. Tutorial and e-forum discussions</td>
<td>12 hours</td>
<td>10%</td>
</tr>
<tr>
<td>T&amp;L3. Group project research and preparation</td>
<td>30 hours</td>
<td>25%</td>
</tr>
<tr>
<td>T&amp;L4. Self-study</td>
<td>42 hours</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120 hours</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assessment Methods</th>
<th>Brief Description (Optional)</th>
<th>Weight</th>
<th>Aligned Course Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1. Assignments</td>
<td></td>
<td>17%</td>
<td>CLO1 to 3</td>
</tr>
<tr>
<td>A2. Midterm Exam</td>
<td></td>
<td>20%</td>
<td>CLO1 to 3</td>
</tr>
<tr>
<td>A3. Group Project</td>
<td></td>
<td>17%</td>
<td>CLO1 to 3</td>
</tr>
<tr>
<td>A4. Final Exam</td>
<td></td>
<td>46%</td>
<td>CLO1 to 3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

## STANDARDS FOR ASSESSMENT

<table>
<thead>
<tr>
<th>Course Grade Descriptors</th>
<th>Description</th>
</tr>
</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 synthesis.</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 synthesis.</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 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>
</tr>
</tbody>
</table>
## COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

**Topic:**

Benchmark Macroeconomic Model for Emerging Market Economy

- Aggregate Production Function, Labor Market, and Aggregate Supply
- Aggregate Demand
- Financial Markets
- Short-run and Medium-run Macroeconomic Equilibrium

Fiscal Policies and Macroeconomic Performance

- Intertemporal Budget Constraints
- Financial Repression
- Seignorage and Inflation
- Sovereign Risk Premia

Financial Market and Monetary Transmission Mechanism

- Financial Structure and Monetary Institutions
- Monetary Transmission Mechanism
- Inflation Targeting

Exchange Rate and Capital Flows

- Foreign Exchange Market Intervention
- Optimal Degree of Exchange Rate Flexibility
- Coping with Capital Flows, Sudden Stops
- Exchange Rate Crises

Macroeconomic Policies and Growth

- Human Capital and Knowledge
- Fiscal Policies
- Financial Intermediation
- Middle Income Growth Trap

## REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS (e.g. journals, textbooks, website addresses etc.)


Note: Supplementary readings from research papers and other books will be provided.

## MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE

- Conducting mid-term survey in addition to SETL around the end of the semester
- Online response via Moodle site
- Others: SETL around the end of the semester

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

1. Lecture PPT files will be posted on Moodle before each class. Please download and bring them to class.

2. Tutorial questions are not assignments; there is no need to turn them in. Assignments will be given to you separately.

3. Tutorial questions will be posted on Moodle one week in advance. Please download and work on them before attending.
your tutorials. You are expected to go the tutorials fully prepared, ready to discuss the questions, and take note. Note that we will not post “model” answers for essay/discussion questions. As for numerical questions, only brief answer will be posted.

4. Lecture PPTs are by nature brief; they are not designed as substitutes for the textbook or class attendance. It pays to come to class for two reasons.
   (a) Elaboration and examples will be discussed in class only.
   (b) You can follow and understand the readings better, especially those not from the required text.

5. Midterm Examination Policies

5.1 No supplementary midterm examination will be given.

5.2 If you have a legitimate reason for missing the midterm, its weight will be added to that of the final examination. The only legitimate reason is sickness. You must inform the instructor (via email, phone call or voice message) before the examination starts and provide a doctor certificate to verify that you have sought medical treatment prior to the exam and that you are unfit to take the examination.

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

7. Do not abuse the convenience of emails.
   (i) Do not ask about things you are supposed to know (e.g. information in this syllabus or announcement emails of the course).
   (ii) Minimize emailing your questions to the instructor or the TA them since it is often difficult to answer questions effectively via emails. Please go to see them for consultation during their office hours.

8. Classroom conduct: Be a considerate and mature person. The instructor or TA have the discretion to impose penalty in case of classroom misconduct.
   a. Do not videotape or audio record the lectures.
   b. Please observe the following good practices:
      • 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 and sit close to the door.
      • Stay attentive and do not chat with your classmates.
      • Use of mobile phone for any purposes is strictly prohibited. Remember to turn it off.

9. 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 zero score in the plagiarized assignment or examination. Serious cases will be referred to the University’s Disciplinary Committee.