

Syllabus v.2

ECON 4374 International Macroeconomics and Finance
Hong Kong University of Science and Technology
School of Business and Management
Department of Economics
Professor Edwin L.-C. Lai
Fall 2022

Number of credits: 4

Pre-requisites: (ECON 3014 AND ECON 3024) OR (ECON 3113 AND ECON 3123)

Exclusions: ECON 4354, ECON 4384

Class time and location: Mo 3:00PM-4:20PM; Fr 10:30AM-11:50AM; Rm: LSK 1005

Instructor: Professor Edwin L.-C. LAI, Department of Economics

Office location: LSK 6008

Office Hours: Mo 4:30PM-6:00PM, or by appointment

Office Phone: 2358-7611

E-mail: elai@ust.hk

Tutorial time and location: Th 10:30AM - 11:20AM; Rm: LSK 1033

Teaching Assistant: Lingfei LU

Office location: LSK 5067

Office hours: Fr 3:00PM-5:00PM, or by appointment

Phone: Please ask TA directly

Email: lingfei.lu@connect.ust.hk

Course description

This course is about international macroeconomics and international finance. It will help students understand the macroeconomic and financial linkages between countries. Topics include national income accounting, the balance of payments, the operation of the exchange rate systems in developing and developed countries, the international capital market, the international monetary system, and the mechanisms of adjustment of exchange rate, interest rate, current account balance, output and price level in response to monetary and fiscal policies.

Course objectives

This course will help students understand the macroeconomic and financial linkages between domestic and foreign countries. Topics include the international financial market environment, the impacts of exchange rate fluctuations, mechanism of adjustment, the operation of the exchange rate systems in developing and developed countries, the international monetary system, and the relationship among money, output, exchange rates, interest rates and prices.

Learning outcomes

At the end of this course, it is expected that students would be able to

1. Understand national income accounting, balance of payments, the foreign exchange market, the different exchange rate regimes, the global capital market, the international monetary & financial system, financial globalization and issues with developing countries.

2. Analyze the short-run and long-run relationship between monetary policy, fiscal policy, trade balance, price level, exchange rate, interest rate, output and unemployment in an open economy.
3. Apply the tools they learn to analyze real world economic issues that are related to the above topics.

Teaching Approach

This course is primarily delivered through lectures, tutorials, class discussion and homework.

Teaching and Learning Activities	Roles in the Course	Course Learning Outcome addressed
Lectures with in-class discussions	Explain key concepts and models to students	1, 2, 3
Tutorials	Review basic model and concepts, practice problem-solving, explain answers to homework and exams	1, 2, 3
Homework assignments	Practice problem solving, apply models to analyze international economic issues	2, 3

Reading Material

Required textbook:

Krugman, Obstfeld and Melitz, *International Finance: Theory and Policy*, latest edition, Pearson Publisher (abbreviated as KOM)

Supplementary textbook (you can find it in the library):

Feenstra, Robert C. and Taylor Alan M., *International Economics*, 2nd edition, Worth Publishers (abbreviated as FT)

Supplementary reading material will be posted for students to download during the semester.

Assessment

Assessment Activities	Weighting	Relevant information	Course learning outcomes assessed
Final Examination	40%	Date: TBA	1,2
Mid-term exam 1	20%	Date: 14 Oct, in class	1, 2
Mid-term exam 2	20%	Date: 11 Nov, in class	1, 2
Homework assignments (about five to six)	10%	Need to submit, and credits will be given if seriously attempted	1, 2, 3
Participation	10%	Attendance, asking and answering	1, 2, 3

		questions in class, out of class, and tutorial	
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All examinations are open book.

The earlier part of the course will be tested in two mid-term examinations. The mid-terms are in-class, and each lasts for one hour and twenty minutes. The dates of the mid-terms are listed in the above table. You must take them on those dates. The final examination is about 3 hours long and will cover all the material taught in the course, with an emphasis on the later part of the course. The final examination will be held during the regular examination period.

Any excuse of absence from the mid-term and final exams due to conflicts with other activities will not be accepted, and no make-up exam will be given. Moreover, if you do not take a midterm or final exam for whatever reason, you will get zero mark for that exam. No shifting of weights to other parts of the assessment will be allowed.

About six problem sets will be given. When a problem set is due and submitted, the answers will be discussed in the tutorial. No late submission will be accepted.

Student participation is taken seriously. Attendance will be taken in each class and tutorial. Students are expected to have read the relevant material before coming to class/tutorial, and to come prepared with questions. It must be emphasized that participation is not simply being there. Those who do not participate actively may be given “cold calls”.

Students are encouraged to discuss with each other how to tackle the problem sets but each student must submit his/her own homework.

Tutorials will be arranged when needed. A typical tutorial session would be held after problem sets are submitted. TA may also hold Q/A sessions or review sessions using tutorial time in other weeks.

Econ 4670

Students have the option of writing a paper to satisfy the requirement for Econ 4670. It is a zero-credit course unrelated to your grade in Econ 4374. Students are encouraged to write on “the internationalization of the renminbi”. However, other topics in international macro and finance will be fine. If writing about renminbi internationalization, students are encouraged to read the following book written by Professor Lai for background information and inspiration:

Lai, Edwin L.-C. 2021. *One Currency, Two Markets: China’s Attempt to Internationalize the Renminbi*, Cambridge, United Kingdom: Cambridge University Press.

Free download of the book can be found in Professor Lai’s personal website: <https://edwin-lc-lai.weebly.com/>. It is also available in the library.

The final version of the paper is due by the end of the day of 20 January 2023 -- no late papers will be accepted. But you have to submit a first version of the paper by 31 December 2022 for the professor to comment on, and then send a final draft taking into account his comments by 20 January 2023. Please check your paper by the software Turnitin and submit the checking result together with the paper. Please refer to the file Econ4670 requirements for Econ4374 F2022” posted on Canvas for more detail.

Plagiarism and cheating

Plagiarism and cheating in exams, tests and assignments are serious offences. The university takes these cases seriously. If you are found guilty, you can be failed for the class and even expelled from the university.

If there is evidence that you copy problem set answers from each other or some leaked answer key, that is considered cheating.

Final Note:

Student feedback is essential for course improvement. I encourage continuous teaching evaluation. At any time during the semester you may verbally or anonymously (e.g., via campus mail, or slip a note under my office door) give me your feedback of my teaching. This evaluation could include the following headings: 1) Things that I like; 2) Things that I dislike; and 3) Suggestions for improvements.

Econ4374 Fall 2022 Schedule

<u>Session</u>	<u>Month</u>	<u>Day of month</u>	<u>Day of week</u>	<u>Chapter</u>	<u>Tutorial dates</u>
1	Sept	2	Fr	1,2	
2		5	Mo	2	
3		9	Fr	2	
4		16	Fr	3	
5		19	Mo	3	
6		23	Fr	3	
7		26	Mo	4	
8		30	Fr	4	29 Sept (PS1)
9	Oct	3	Mo	4	
10		7	Fr	5	6 Oct (PS2, Q1-3)
11		10	Mo	5	
12		14	Fr	MT1	
13		17	Mo	5	
14		21	Fr	6	20 Oct (PS2, Q4-6)
15		24	Mo	6	
16		28	Fr	6	
17		31	Mo	7	
18	Nov	4	Fr	7	3 Nov (PS3)
19		7	Mo	7	
20		11	Fr	MT2	
21		14	Mo	8	
22		18	Fr	8, 9	17 Nov (PS4)
23		21	Mo	9	
24		25	Fr	11	24 Nov (PS5)
25		28	Mo	11	5 Dec (PS6 due, no tutorial)
Self-reading				10	

MT1 = Mid-term 1: ch 1-4

MT2 = Mid-term 2: ch 5,6

Final exam: Comprehensive; heavier weight would be put on material not tested in mid-terms, but it covers all chapters

Self-reading: ch 10 (will not be covered by exam)

PS1 Q1-3: ch 2; Q4-6: ch 3

PS2 Q1-3: ch 4; Q4-6: ch 5

PS3 ch 6

PS4 ch 7

PS5 ch 7, 8

PS6 ch 3, 7, 9, 11

Reading List

Introduction
KOM Chapter 1

I. The Balance of Payments
KOM Chapter 2

II Model of the Foreign Exchange Market
KOM Chapter 3

III. The theory of international macroeconomics
KOM Chapters 4-7

IV. International monetary system
KOM Chapters 8

IV. The Global Capital Market and Developing Countries Issues
KOM Chapters 9, 11