

Syllabus

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 2023

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: Tu and Th 4:30PM-5:50PM; Room: LSK 1003

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

Office location: LSK 6008

Office hours: Tu 1:30PM-3:30PM, or by appointment

Office phone: 2358-7611

E-mail: elai@ust.hk

Tutorial time and location: Mo 6:00PM-6:50PM; Rm: LSK 1014

Teaching Assistant: Minjie Ding

Office location: LSK 5067

Office hours: Tu 9:00AM-10:00AM, or by appointment

Phone: 5575-6624

Email: mdingaa@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.

School of Business Undergraduate Program intended Learning Outcomes (SILOS)

Like all other undergraduate courses offered in the School of Business, this course aims to achieve the following learning outcomes:

1. Graduates will be critical and creative thinkers who make effective decisions supported by appropriate analytical techniques.

Objectives: Graduates will:

- Analyze and solve problems using appropriate analytical techniques.
- Demonstrate proficiency in using IT applications in business and management.
- Locate, gather, organize and evaluate information using appropriate information technology and systems.

2. Graduates will demonstrate effective leadership and English communication skills when solving business problems.

Objectives: Graduates will:

- Collaborate and lead positively by actively seeking and engaging in discussion of the views of others.
- Deliver business problems analyses and ideas to stakeholders in English effectively.

3. Graduates will demonstrate a broad understanding of business functions and in-depth knowledge of their major.

Objectives: Graduates will:

- Demonstrate a broad understanding of different business functions and domains to formulate integrated solutions.
- Demonstrate substantial knowledge of their business major to solve business problems.

4. Graduates will understand their ethical and social responsibilities in local and global contexts.

Objectives: Graduates will:

- Identify ethical and social considerations in business issues and decision.
- Apply business knowledge to deliver positive business and social impacts at local and international levels.

Intended learning outcomes of this course

To supplement SILOS stated above, 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.

4. Class discussion is strongly encouraged so as to train students to think critically, to learn from exchanging ideas with each other and develop communications skills in English.

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 or later edition, Worth Publishers (abbreviated as FT)

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

Assessment

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.

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 2023 Schedule

<u>Session</u>	<u>Month</u>	<u>Day of month</u>	<u>Day of week</u>	<u>Chapter</u>	<u>Problem set due</u>
Lecture	Sept	5	Tu	2	
Lecture		7	Th	2	
Lecture in tutorial slot		11	Mo	2	
Lecture		12	Tu	3	
Lecture		14	Th	3	
Tutorial in tutorial slot		18	Mo		PS1
No activity		19	Tu		
No activity		21	Th		
Lecture in tutorial slot		25	Mo	3	
Lecture		26	Tu	3	
Lecture		28	Th	4	
Lecture	Oct	3	Tu	4	
Lecture		5	Th	4	
Tutorial in tutorial slot		9	Mo		PS2, Q1-3
Lecture		10	Tu	5	
Lecture		12	Th	5	
Tutorial in tutorial slot		16	Mo		PS2, Q4-6
MT1		17	Tu	MT1	
Lecture		19	Th	5	
Lecture		24	Tu	6	
Lecture		26	Th	6	
Lecture in tutorial slot		30	Mo	6	
Lecture		31	Tu	6	
Lecture	Nov	2	Th	7	
Tutorial in tutorial slot		6	Mo		PS3
Lecture		7	Tu	7	
Lecture		9	Th	7	
No activity		13	Mo		
MT2		14	Tu	MT2	
Lecture		16	Th	7	
Tutorial in tutorial slot		20	Mo		PS4
Lecture		21	Tu	8	
Lecture		23	Th	8	
Tutorial in tutorial slot		27	Mo		PS5

Lecture		28	Tu	9	
Lecture		30	Th	9	
	Dec	4	Mo		PS6
Self-reading				Ch 10, 11 and part of ch 9	

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, 11 and part of ch 9** (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