

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 2024

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: We and Fr 1:30pm-2:50pm; Academic Building Room 2406

Instructor: Professor Edwin L.-C. LAI, Department of Economics
Office location: LSK 6016B
Office hours: We 4:45pm-6:00pm or by appointment
Office phone: 2358-7611
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Tutorial time and location: We 9:30am-10:20am; Room: LSK 1010

Teaching Assistant: Minjie DING
Office location: LSK 5067
Office hours: We 10:30am-11:30am or by appointment
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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, upon completion of this course, it is expected that students would be able to

- 1) Get general knowledge about international macroeconomics and finance. Identify the main questions and issues in international macro and learn how to analyze them. Learn a few models and theories in international macro and how they can be applied to the real world.
- 2) Apply the concepts, principles, and models learned in this course to analyze issues and policies in international macroeconomics in the real world.
- 3) Communicate effectively in oral and written English when analyzing economic issues.

Hopefully, you can also

- 4) Analyze the consequence of an international macro shock or a policy change and provide policy suggestions to governments and international organizations.
- 5) Develop an interest in international macroeconomics and finance and a desire for further study.

Teaching Approach

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

The course is designed to help students cultivate the habit of thinking critically and independently yet working cooperatively. Students' class participation is highly valued and will be rewarded.

The basic teaching materials closely follow the main textbook and lecture notes. Additionally we may use newspaper articles for discussion in class.

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, 4, 5
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	1, 2, 3
Group paper and presentation	Application of the theory to analyze the real world issues and government policies	1, 2, 3, 4, 5

Reading Material

Required textbook:

Krugman, Obstfeld and Melitz, *International Finance: Theory and Policy*, 12th 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

Assessment Activities	Weighting	Relevant information	Course learning outcomes assessed
Final Examination	37.5%	Date: TBA	1, 2
Mid-term exam	17.5%	Date: 30 Oct, in-class	1, 2
Group paper and presentation	25%	Dates: TBA	1, 2, 3, 4, 5
Homework assignments (about 4 to 5)	10%	Need to submit, and credits will be given if seriously attempted.	1, 2
Participation	10%	Attendance; asking and answering questions in class and outside class; quizzes.	1, 2, 3, 4

Examinations

All examinations are closed-book.

The earlier part of the course will be tested in the mid-term examinations. The mid-term is in-class, and lasts for one hour and twenty minutes. The date of the mid-term is listed in the above table. You must take it at that date and time. The final examination is 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.

Participation

Student participation is taken seriously. Attendance will be taken in each lecture. Students are expected to have read the relevant material before coming to class, and to come prepared with questions. It must be emphasized that participation is not simply being there but also asking and answering questions during the class. Attendance will account for only 3 to 4 marks out of a total of 10 marks for participation. While asking questions outside the classroom also counts toward participation, higher weight is given to participation in class. I may give some unannounced quizzes, which will also count towards participation.

Problem sets

About 4 to 5 problem sets will be given. The problem sets are essential for learning economic analyses that will be tested in the exams. When a problem set is due and submitted, the answers will be discussed in the tutorial. No late submission will be accepted.

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

Tutorials

Tutorials will be arranged when needed. A typical tutorial session would be held after problem sets are submitted. The TA or instructor may also hold Q/A sessions, review sessions, student presentations or make-up lectures using tutorial time in other weeks.

Group Project

Students are to form into groups, and each group is required to write a group paper and do a group class presentation. The class should be evenly divided into a total of about six or seven groups. The number of students in any two groups cannot differ by more than one. There should be no more than four members in each group (maybe even no more than three, depending on the total number of students in the class). You can form your group voluntarily. However, if some students fail to form groups voluntarily, the instructor will intervene to form the groups for them. The instructor has the final say in determining who belongs to which group. The dates of the presentations are listed in the Schedule in this syllabus.

At the end of the semester, each student will be asked to evaluate the percentage contribution of all other students in his/her group. These numbers will be used to calculate the marks obtained by each student in the group. So, different students in the same group can get different marks for the group project if their contributions as evaluated by others are different.

Group paper

The paper and presentation should be on a topic about international macroeconomics and finance to be approved by the instructor. The final version of paper is due by the end of the day on **7 December 2024** -- no late papers will be accepted.

Students are encouraged to write on the internationalization of a currency such as the renminbi or the euro. 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.

Some examples of topics are:

To what extent can the renminbi become an international currency in the next two decades?
What roles does the offshore renminbi market in Hong Kong play in the internationalization of the renminbi?
How far should China open up its financial account?
How far should China liberalize its financial market?
What is the future of the Euro and the Euro Area countries?
What explains the dominance of the US dollar in the international monetary system?
Is the dominance of the US dollar in the international monetary system good for the world? If not, how will a better alternative IMS be like?
How will the international monetary system evolve in the next thirty years?
Has financial globalization gone too far?

I prefer that each group writes a different topic. So, you need to find a topic as soon as possible and get my approval.

You are allowed to use generative AI such as ChatGPT to write the paper but you have to declare it. Failure to declare the use of generative AI in writing the paper will be considered cheating. So, on the cover page of your paper, please answer: 1. Did you use any generative AI to help you write the paper? 2. Which part of the paper is written by the generative AI and which part is written by you?

The paper should have no less than **1400** words but no more than **1600** words per student, plus any graphs, the references and appendixes. If the group paper becomes individual paper, it should have no less than 1500 words but no more than 2200 words, plus any graphs, the references and appendixes. The paper should be in Times New Roman 12-point fonts, double-spacing, with one inch margin on all sides. Please carry out a word count and indicate the number of words in your essay at the end of the Conclusion section.

When writing the paper, bring in the theory whenever possible, and support your arguments with graphs and/or algebra where appropriate. The paper should include a short introductory section containing a brief description of the issue and relevant background material, a main section presenting the analysis, and a brief concluding section summing up the main points of the paper. Any references and appendixes should follow the concluding section. The weights to be allocated to different aspects of the paper:

Economic knowledge 33%: Application of the economics that you have learned

Exposition and logical coherence 33%: Overall exposition or presentation of the argument (e.g. presentation of data/evidence/facts, consideration of both sides of the debate, citing what others have written about the subject, how to draw the conclusion)

Critical thinking and originality 33%: e.g. able to provide new angles to look at the question

Tips for writing a good paper: 1. State relevant facts or data. 2. Try to apply the theory or theories you learned in class as far as possible. 3. Consider thoroughly and critically the arguments on both sides of the debate, then draw your own conclusion. Explain carefully how you arrive at your conclusion.

You are required to turn in a soft copy (in MS Word or PDF format) of the paper. Please check your paper by the software Turnitin and submit the checking result together with the paper. On the cover page of the paper, please include the following for each student:

- The sentence "I understand that sanctions and severe penalty can be imposed, if I am found to have violated the University's regulations governing academic integrity, including plagiarism."
- Your Name
- Student ID
- Signature

Group presentation

Each group is required to make a 24-minute class presentation based on their group paper. Each group will be given participation marks for asking questions in other groups' presentations. A student's participation in asking questions in the presentations of other groups will enhance their individual participation marks as well as their group's participation marks.

Grading Rubrics

Excellent Performance (A+, A, A-): Demonstrates a deep understanding of the knowledge, concepts and application of tools for analyses covered in the course. Exhibits exceptional skills in utilizing the taught techniques to solve related problems. Excels in the overall performance in problems sets, exams, group project and class participation.

Good Performance (B+, B, B-): Shows a solid grasp of the knowledge, concepts and application of tools for analyses covered in the course. Demonstrates good skills in utilizing them to solve related problems. Performs well in the overall performance in the problems sets and exams, group project and class participation.

Satisfactory Performance (C+, C, C-): Shows adequate understanding of the knowledge, concepts and application of tools for analyses covered in the course. Shows acceptable skills in utilizing them to solve related problems. Acceptable performance in the overall performance in the problems sets, exams, group project and class participation.

Marginal Pass (D): Shows limited understanding of the knowledge, concepts and application of tools for analyses covered in the course. Shows limited skills in utilizing them to solve related problems. Marginal performance in the overall performance in the problems sets, exams, group project and class participation.

Fail (F): Demonstrates insufficient understanding of the knowledge, concepts and application of tools for analyses covered in the course. Lacks skills in utilizing them to solve related problems. Unsuccessful in the overall performance in the problems sets, exams, group project and class participation.

Econ 4670

The whole group has the option of writing a longer paper that can be used to satisfy both the requirement of this course and the requirement for Econ 4670 for all members of the group. In that case, the paper has to have at least 1800 words and no more than 2000 words per student, plus any graphs, the references and appendixes.

If an individual student wants to expand what they write in the group paper into a solo paper that satisfies the requirement for Econ 4670, it has to have no less than 2500 and no more than 2700 words, plus any graphs, the references and appendixes. The topic can be related but needs to be different from that of the group paper.

The final version of paper is due by the end of the day of 20 January 2025 -- no late papers will be accepted. Please check your paper by the software Turnitin and submit the checking result together with the paper.

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 2024 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	4	We	1,2	
2		6	Fr	2	
3		11	We	2, 3	
4		13	Fr	3	
5		20	Fr	3	
6		25	We	3, 4	
7		27	Fr	4	
8	Oct	2	We	4	2 Oct (PS1)
9		4	Fr	5	
10		9	We	5	
11		16	We	5	
12		18	Fr	5	
13		23	We	6	23 Oct (PS2)
14		25	Fr	6	
15		30	We	MT	
16	Nov	1	Fr	6	
17		6	We	6, 7	May be used to discuss answers to MT
18		8	Fr	7	
19		13	We	7	13 Nov (PS3)
20		15	Fr	7	
21		20	We	8	May be used for student presentation
22		22	Fr	Student presentation	
23		27	We	Student presentation	27 Nov (PS4)
24		29	Fr	Student presentation	
Self-reading				Ch 8 (part), 9, 10, 11	

MT = Mid-term: ch 1-5

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

Self-reading: Ch 8 (part), 9, 10, 11 (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, 8

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