



**THE CHINESE UNIVERSITY OF HONG KONG  
DEPARTMENT OF ECONOMICS**

**ECON3021  
INTERMEDIATE MACROECONOMIC THEORY**

**COURSE SYLLABUS  
(2017-2018 First Term)**

**COURSE DESCRIPTION**

Macroeconomics is the study of economic aggregates, focusing on the aggregate behavior of large collection of economic agents. This one-semester course is divided into two major parts – Long-run and Short-run macroeconomics. In the Long-run part of the course, we will cover topics such as economic growth and development, inflation and equilibrium unemployment, government debt and the public pension system.

In the Short-run part of the course, we focus mainly on theories of business cycles. Macroeconomic models based on microfoundations will be discussed. In addition, we will study basic monetary and banking models, public finance, and international macroeconomics. Major historical macroeconomic events will also be analyzed, and optional topics will be added if time permits.

**LEARNING OUTCOMES**

After completing this course, students should be able to:

1. Understand the importance of economic growth and development, and the theories that seek to explain reasons for economic growth.
2. Handle macroeconomic models both graphically and algebraically.
3. Evaluate the effects of macroeconomic policies and shocks on the domestic economy in the short run and how macroeconomic aggregates are determined in the long run.
4. Understand the functioning of fixed and flexible exchange rate regimes.
5. Understand the theoretical and practical limitation of central bank independence.

## THE TEACHING TEAM

<b>Instructor</b>	Wallace K. C. Mok
<b>Email</b>	wallacemok@cuhk.edu.hk
<b>Office</b>	ELB 905
<b>Office Hours</b>	Walk-in consultations welcomed

<b>Teaching Assistant</b>	Yufeng SUN	Siho PARK
<b>Email</b>	<a href="mailto:pkuskyfree@gmail.com">pkuskyfree@gmail.com</a>	<a href="mailto:shpark@link.cuhk.edu.hk">shpark@link.cuhk.edu.hk</a>
<b>Office</b>	ELB1017	ELB1017
<b>Office Hours</b>	Monday morning, 9:30-10:30	By Appointment

## LECTURE HOURS

Wednesday                      8:30pm-11:15pm                      ELB LT4

## ASSESSMENT SCHEME

The assessment is based on:

<b>Instruments</b>	<b>Weight</b>
Midterm	40%
Final	60%
<b>Total</b>	<b>100%</b>

More details will be announced during class.

## EXAMS

The final exam will take place during the last class or in the make-up period.

## COURSE TEXTBOOKS

The **main textbook** is:

- *Intermediate Macroeconomics* – 7<sup>th</sup> Edition (International Student Edition for Asia), by N. Gregory Mankiw, Worth Palgrave Macmillan

Or

- *Macroeconomics* – 2<sup>nd</sup> Edition, by Charles I. Jones, Norton

In addition, there are 3 additional textbooks that you can purchase for reference purposes. You are **NOT** required to purchase any of these reference textbooks. The books by Romer and Acemoglu are quite advanced. The book by Sloman is quite easy to read.

- *Advanced Macroeconomics*, by David Romer, McGraw-Hill/Irwin
- *Introduction to Modern Economic Growth*. by Daron Acemoglu, Princeton University Press
- *Economics*, by John Sloman, Prentice Hall

## **COURSE MATERIALS**

Course materials (lecture slides, lecture notes, additional readings, problems sets and their solutions) will be posted on WEBCT.

## **HONESTY IN ACADEMIC WORK**

Students must observe the University's policy on Honesty in Academic Work (please see <http://www.cuhk.edu.hk/policy/academichonesty/>).

## **CONTENTS**

### **Part 1. The Macroeconomy in the Long Run**

	<b>Reading (Chapters)</b>
<b>A. Introduction to Macroeconomics</b>  1. Economic Statistics 2. National Income Accounting 3. Introduction to Classical Macroeconomics.	1,2 (Mankiw) 1, 2 (Jones)
<b>B. Economic Growth</b>  1. Meaning of Economic Growth and Development 2. Malthus and Solow Growth Models 3. Endogenous Growth Theory	3, 7, 8 (Mankiw) 3- 6 (Jones)
<b>C. Inflation and Unemployment</b>  1. Hyperinflation 2. The Beveridge Curve, Job Creation Curve and Equilibrium Unemployment 3. Search Theory	4, 6 (Mankiw) 7 – 8 (Jones)
<b>D. Government Debt and Current Demographic Trends</b>  1. Budget Deficit and Ricardian Equivalence 2. Demographic Trends and the Macroeconomy 3. Public Pension (Social Security)	16 (Mankiw) 17 (Jones)

## Part 2. The Macroeconomy in the Short Run

	<b>Reading (Chapters)</b>
<p><b>A. The Business Cycle</b></p> <ol style="list-style-type: none"> <li>1. IS/LM Model, Aggregate Demand and Aggregate Supply</li> <li>2. Classical Macroeconomics</li> <li>3. Keynesian Macroeconomics and Monetarism</li> <li>4. Forecasting – Vector Autoregression (Optional)</li> </ol>	<p>9 (Mankiw) 9-11, 13-14 (Jones)</p>
<p><b>B. Macroeconomic Models with Microfoundations</b></p> <ol style="list-style-type: none"> <li>1. Real Business Cycle Theory</li> <li>2. New Keynesian Macroeconomics (if time permits)</li> </ol>	-
<p><b>C. Monetary Economics and Banking</b></p> <ol style="list-style-type: none"> <li>1. What is Money?</li> <li>2. Monetary Policy: Rules vs. Discretion</li> <li>3. The Phillip’s Curve</li> <li>4. Monetary Models</li> </ol>	<p>13, 15 (Mankiw) 12 (Jones)</p>
<p><b>D. Fiscal Policy: Introduction to Public Finance</b></p> <ol style="list-style-type: none"> <li>1. The role of the government in the economy and the First Fundamental Theorem of Welfare Economics</li> <li>2. Elements of Public Finance</li> <li>3. Optimal Taxation</li> </ol>	-
<p><b>E. Open Economy Macroeconomics</b></p> <ol style="list-style-type: none"> <li>1. The ISLM Model in the Open Economy</li> <li>2. Exchange Rate Regimes</li> <li>3. Exchange Rate Crises</li> </ol>	<p>5, 12 (Mankiw) 18-19 (Jones)</p>
<p><b>F. Consumption and Housing Economics (if time permits)</b></p> <ol style="list-style-type: none"> <li>1. Life-cycle hypothesis</li> <li>2. The Consumption Euler Equation</li> <li>3. Consumption and Income Volatility</li> <li>4. Permanent Income Hypothesis</li> <li>5. The Hong Kong housing market and the macroeconomy</li> </ol>	<p>17 (Mankiw) 15 (Jones)</p>
<p><b>G. Understanding the World Economy (if time permits)</b></p> <ol style="list-style-type: none"> <li>1. The Great Depression</li> <li>2. The Japanese Recession</li> <li>3. The Great Recession</li> <li>4. Thatcherism and the British Economy in 1970-1990</li> </ol>	-