

ECON 3380 Economy of Hong Kong 香港經濟 (Spring 2019)
The Chinese University of Hong Kong (Department of Economics)
Course Outline and Reading List

Staff

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Time & (Venue): **M01-M03* (ELB LT4)** *(M03 will be sometimes changed to Tutorial session)

Course Description

This course addresses the basic and comprehensive understanding of economic features of Hong Kong's city-state economy in the world economy. It also attempts to show what are the major problems and related policies. The emphasis will be on both economic analysis and institutional arrangements of various economic sectors. The medium of instruction is English and some Cantonese supplement. Reading relevant newspapers is another way of understanding the economy.

The following is only an *indicative* outline of the course; changes may be brought forward during the semester.

- **Hong Kong's Development**
Composition of GDP/GNP and price indexes / Economic performance and structure / Post-1997 slowdown.
- **The International Transactions**
The current account transactions / Balance of the capital and financial account / Overall international balance of payments (BOP) account. / Hong Kong's BOP positions
- **Price Adjustment and Labour Employment**
The spread and nature of post-1997 price deflation process / Labour productivity / A cyclical and structural unemployment.
- **Economic Efficiency and Income Inequality**
Efficiency and equality: Income disparity / Real Estate Market & housing / Income redistribution role of the public finance system in Hong Kong / Ageing
- **The Public Finance Setting**
The basic taxation principles and budgetary policy stance
- **The Banking and Finance**
History of Hong Kong's monetary standards / Linked exchange rate (LER) / Determinants of base money and money supply
- **The Growth, Structural Changes and Recent Developments**
Integration with China - (One Belt One Road) / Economic structure / Competition policies / Informal economy

We distributed the assignments occasionally. You may discuss about some economic policies and issues during the lecture.

Assessment

Grade	Descriptions
A/A-	Outstanding/Generally outstanding performance on all learning outcomes.
B+/B/B-	Substantial performance on all learning outcomes, or high performance on some learning outcomes which compensates for less satisfactory performance on others, resulting in overall substantial performance.
C+/C/C-	Satisfactory performance on the majority of learning outcomes, possibly with a few weaknesses.
D+/D	Barely satisfactory performance on a number of learning outcome.
F	Unsatisfactory performance on a number of learning outcomes, or failure to meet specified assessment requirements.

90-min. Test on 18th Mar. (Mon.) (25%); **Group Project with video or slide presentation & written report (Group size: 7 ± 1 students)** on either **8th** or **15th April** (25%); and **Class Participation** (15%); **2-hr. Open-book Centralized Final Examination** (35%). As to how the project and tutorial performance will be assessed, you should take a careful look at our **Guidelines** which are delivered after add-drop period. **Make-up examination may not be approved.**

Learning Outcome

After completing this course, students should be able to understand the basic working and activities of the Hong Kong economy. They might also understand and apply relevant basic concepts, tools, and techniques to analyze some current economic issues and policies of Hong Kong.

Academic Honesty

Any student who commits plagiarism, which is a disciplinary offence, is liable to disciplinary action. Students should check the website <http://www.cuhk.edu.hk/policy/academichonesty> on "Honesty in Academic Work: A guide for Students and Teachers".

Main References

- Li, K.W., *Economic Freedom: Lessons of Hong Kong* (World Scientific, 2012).
- Wong, Yu Chim Richard, *Fixing Inequality in Hong Kong*, Hong Kong University Press, Hong Kong, 2017.
- _____, *Hong Kong Land for Hong Kong People Fixing the Failures of Our Housing Policy*, Hong Kong University Press, Hong Kong, 2015.

Selected Reading: A Reader's Guide

Chief Executive, HKSAR, *Address by the Chief Executive* (Hong Kong: Printing Department, January 2016 and other relevant years) (<http://www.policyaddress.gov.hk/2016/eng/archives.html>).

Financial Secretary, HKSAR (<http://www.fso.gov.hk/index.htm>), *The Budget* (Hong Kong: Printing Department, selected years) (<http://www.budget.gov.hk>)

Financial Services and the Treasury Bureau, HKSAR, *Economic Report/Economic Background/Economic Prospects* (Hong Kong: Printing Department, selected quarters/years) (<http://www.censtatd.gov.hk/hkstat/sub/sp70.jsp?productCode=B6XX0004>)

Financial Services and the Treasury Bureau, HKSAR, "Final Report to the Financial Secretary by the Task Force on Review of Public Finances" (February 2002) (<http://www.fstb.gov.hk/tb/en/final-report-to-the-financial-secretary-by-task-force-on-review-of-public-finances.htm>).

Ho, C., "A survey of the institutional and operational aspects of modern-day currency boards" (BIS Working Papers 110, Monetary and Economic Department of Bank for International Settlements, March 2002) (<http://www.bis.org> - first **click Research and Publications** and then **click Working Papers**).

Ho, S.S.M., *et al*, *The Hong Kong Financial System: a new age* (Oxford University Press, 2004).

Ho, Y.P., *Trade, Industrial Restructuring and Development in Hong Kong* (London/Honolulu: Macmillan Press/University of Hawaii Press, 1992).

Hong Kong Monetary Authority (HKMA), *Quarterly Bulletin* (Hong Kong: HKMA Publications, relevant quarters) (<http://www.hkma.gov.hk/eng/> - first **click Publications & Research** and then **click Quarterly Bulletin**).

HKMA, *Hong Kong's Linked Exchange Rate System (2nd ed.)* (<http://www.hkma.gov.hk/eng/> - first **click Publications & Research** and then **click HKMA Background Briefs**).

HKMA, *Money in Hong Kong: A Brief Introduction* (Hong Kong: HKMA Publications, November 2000) (<http://www.hkma.gov.hk/eng/> - first **click Publications & Research** and then **click Monetary** under **Reference Materials**).

Imai, H., "Hong Kong's High Inflation Under the US Dollar Peg: The Balassa-Samuelson Effect or the Dutch Disease?" (Working Paper 126, Center for Research on Economic Development and Policy Reform, Stanford University, February 2002).

Jao, Y.C., *The Asian Financial Crisis and the Ordeal of Hong Kong* (London: Quorum Books, 2001).

Latter, T., "Deflation: is it really a problem: if so, what should be done?", *HKCER Letters* (January-April 2003) (<http://www.hkcer.hku.hk/> - first **click HKCER Letters**).

Latter, T., "Hong Kong's Exchange Rate Regimes in the Twentieth Century: The Story of Three Regime Changes" (Working Paper 17/2004, Hong Kong Institute for Monetary Research, September 2004) (<http://www.hkimr.org/> - first **click Publications** and then **click Working Papers**).

Liu, Pak-Wai (1998), "Asian Financial Crisis and After: Problems and Challenges for the Hong Kong Economy", Occasional Paper No.89, Hong Kong Institute of Asia-Pacific Studies.

Our Hong Kong Foundation, various publications or articles under reports, (<https://www.ourhkfoundation.org.hk>)

Peng, W., *et al*, "The fiscal deficit and macroeconomic stability in Hong Kong SAR" in *BIS Papers 20: Fiscal issues and central banking in emerging economies* (Basel: BIS Publications, October 2003) (<http://www.bis.org> - first **click Publications and research** and then **click BIS Papers**).

Schellekens, P., "Deflation in Hong Kong SAR" (IMF Working Paper WP/03/77, April 2003) (<http://www.imf.org/> - first **click Country** and then **click HKSAR of PRC**).

Sung, Y.W., "Hong Kong's Economic Integration with Pearl River Delta: Quantifying the Benefits and Costs" (Report of a CPU consultancy study, May 2004) (<http://www.cpu.gov.hk/> - **click Research Reports** as appeared in the website of the Central Policy Unit (CPU), HKSAR).

Szczepanik, E., *The Economic Growth of Hong Kong* (London: Oxford University Press, 1958).

Yam, J., *Review of Currency Board Arrangements in Hong Kong* (Hong Kong: HKMA Publications, December 1998) (<http://www.hkma.gov.hk/eng/> - first **click Publications & Research** and then **click Monetary** under **Reference Materials**).

You are strongly encouraged to visit the HKTDC website – <http://www.hktdc.com/>, the HKMA website – <http://www.hkma.gov.hk/eng/> and Our Hong Kong Foundation website – <https://www.ourhkfoundation.org.hk/> for further reference materials. You are also advised to visit a good variety of websites on topical issues about the world economy at large – including the Hong Kong economy as well; you will find links to the sites of the International Monetary Fund (IMF) – <http://www.imf.org/>, Bank for International Settlements (BIS) – <http://www.bis.org/forum/research.htm>, the World Bank – <http://www.worldbank.org/>. For general economic and social indicators including Hong Kong's GDP, GNP, BOP, CPIs, unemployment and the Population Census statistics, you can visit <http://www.hkeconomy.gov.hk/en/home/index.htm>, and also <http://www.censtatd.gov.hk/>.