

ECON 5811 Global Economics and Finance Forum
Course Outline – January 2019

The course is divided into 3 modules:

Module A – Global trade and finance and the Chinese economy

Module B - Special topics in international finance

Module C - Selected topics by guest speakers

Modules A and B will each take roughly half a term (6 weeks). Lectures of Guest speakers (Module C) will be interspersed in the term (see last section on Guest Speakers for schedules). **The examination of Module A is scheduled on February 26 (Tuesday) from 4.15 to 6.15 pm at CYT LT1(A). The examination of Module B is scheduled on April 23 (Tuesday) from 3.30 pm to 5.30 pm at CYT LT1(A).** Students will not be examined on contents of Module C.

Teachers:

Module A: Prof. SUNG Yun-Wing (ELB 509, Tel: 3943 8777, Email: ywsung@cuhk.edu.hk)
Office hour: Tuesday 2.30 to 3.15 pm or by appointment

Module B: Mr. KWOK Kwok Chuen (Email: kwokkwokchuen@hku.hk)
Office hour: by appointment

TA: Mr. FU Chi Lok, Nicholas (ELB 1007, Tel: 3943 3536, Email: nicholasfucl@cuhk.edu.hk)
Office hour: Tuesday 10.30 to 11.30 am or by appointment

Course notes, readings, and office hours of TA will be posted on Blackboard (<https://elearn.cuhk.edu.hk>). Tutorials are not compulsory and the schedule will be posted on Blackboard.

Attention is drawn to University policy and regulations on honesty in academic work, and to the disciplinary guidelines and procedures applicable to breaches of such policy and regulations. Details may be found at http://www.cuhk.edu.hk/policy/academic_honesty/. With each assignment, students will be required to submit a statement that they are aware of these policies, regulations, guidelines and procedures.

Assessment:

1. Attendance and participation (see below)
2. Group Poster (25%)
3. Individual professional/industry report (25%)
4. Module A (25%): Two problem sets (5%) and one examination (20%)
5. Module B (25%): One examination (25%)

Requirements

Attendance and Participation

Attendance will be checked through the term, including the poster session on April 13. Less than 60% attendance will result in a 5 percentage point reduction in your score. A bonus of 5 percentage points

will be given to students with an attendance rate of 90% or above.

Group Poster

Students should form groups of 5. Students who are not able to form groups on their own will be assigned to groups by our tutor. Students can choose a topic that is relevant to the course. A list of sample topics will be loaded on Blackboard by the end of January. The teachers reserve the right to disallow topics that are not appropriate.

The Poster session is scheduled on April 13 (Saturday) from 10.00 am to 1.00 pm. The Department will provide one board on the ground floor of ELB to each group for mounting a poster. Students should standby during the poster session to explain their projects to viewers.

To prepare the poster, each group should load its poster file on Blackboard on or before April 2. The Department will be responsible for printing the poster. If you miss the deadline, you will be responsible for printing of the poster.

Deadlines

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|---|-------------|
| 1. Students self-enroll into groups on Blackboard | January 22 |
| 2. Sample topics loaded on Blackboard | January 31 |
| 3. Each group uploads title of poster on Blackboard | February 12 |
| 4. Each group uploads poster file on Blackboard | April 2 |

Individual professional report

A short professional/industry report (no more than 1,200 words) that analyzes some current economic, market, or industry issues (e.g., effect of US Fed interest-hike on the Renminbi exchange rate). Good English is expected. **Bad English or unprofessional presentation will be heavily penalized.** The choice of topic is up to each student (students can ask the teacher for comments). A list of sample topics will be loaded on Blackboard before the end of February. The teacher reserves the right to disallow topics that are not appropriate.

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| 1. Sample topics loaded on Blackboard | February 28 |
| 2. Each student uploads title of report on Blackboard | March 12 |
| 3. Each student uploads report on Blackboard | May 6 |
| 4. Each student submits hardcopy of report and honesty declaration | May 7 |

VeriGuide: Plagiarism detection engine: Each student is required to upload a soft copy of his/her professional report to the VeriGuide for detecting plagiarism (<http://www.cuhk.edu.hk/veriguide>).

You will be required to fill in the assignment number (assignment number 1) and due date. You are reminded to carefully complete this information, otherwise your submission may not be recognised. After submission, you should download a submission receipt and declaration form. The declaration should signed by all members of the group and should be stapled with the submission receipt to the hard copy of the paper to be deposited in the assignment box of Professor Sung on the 9th floor of the Esther Lee Building by **5 pm on May 7**.

Late submissions of poster files or professional reports will be downgraded. A zero mark will be given for plagiarism. A zero mark will also be given for papers without a VERIGUIDE receipt and declaration of honesty.

Course description

This course is designed to enhance students' exposure to and understanding of a wide variety of real world economic and financial issues in Hong Kong, Mainland China, and the world to strengthen their ability to analyze policy issues.

Distinguished economists, business leaders, and/or government officials will be invited to deliver lectures on a wide range of leading economic and financial issues in the global economy. Through these lectures, students are trained to strengthen their capability of conducting innovative analyses of these issues with significant policy implications.

Students are required to write research papers for the course. The papers demonstrate students' own analyses and understanding of the course content.

The course is not mathematical but students are assumed to have good knowledge of undergraduate economics. More advanced economic concepts will be explained as they are used. Students who have problems with economic concepts are advised to attend tutorials and/or discuss with the tutor.

Learning outcomes

Students are expected to gain an advanced understanding of some leading issues in the global economy and finance and have a firm grasp of some basic research methodology in economics and finance. Students will receive training in application of economic theory to analyze policy issues. The course aims at improving students' preparation for their career development in business and financial positions as well as further academic studies.

Guest Speaker

Guest lecture will speak on the following dates, from 4.30 pm to 6.15 pm. The teacher will cover all other classes.

1. February 19, 2019 – Mr. Nicholas KWAN
Director of Research, Hong Kong Trade Development Council
“The Guangdong-HK-Macau Big Bay Area and One Belt One Road: Challenges and Opportunities for Hong Kong”
2. March 26, 2019 – Mr. Edward LEUNG
Former Chief Economist, Hong Kong Trade Development Council
“Economic Integration and the Emergence of Anti-Globalization”

ECON 5811 Global Economics and Finance Forum
Reading List – January, 2019

The reading list is divided according to the 3 modules of the course:

Module A – Global trade and finance and the Chinese economy
Module B - Special topics in international finance and economics
Module C - Selected topics by guest speakers

Module A: Global economics and China

- Readings have been drawn from the books listed below, and they will be referred to by the names of the authors in the reading list.
- Readings marked with an “*” are soft copies loaded on Blackboard.
- If soft copies are not available, the hard copies are kept in reserve in the Chung Chi Library.
- References are marked with a “#”.
- **Lecture notes will NOT be so detailed that they can substitute for attending lectures.**

Robert C. Feenstra and Alan M. Taylor, International Economics, Worth Publishers, 2012.

*Paul R. Krugman, Maurice Obstfeld, and Marc J. Melitz, 2012, International Economics: Theory and Policy, Pearson International Edition, 9th edition.

Barry Naughton, Barry, 2018. The Chinese Economy: Adaptation and Growth, 2nd edition, The MIT Press.

Arthur R. Kroeber, 2016, China’s Economy: What Everyone Needs to Know, Oxford University Press.

C. Fred Bergsten et. al., 2009. China’s Rise: Challenges and Opportunities, Peterson Institute for International Economics and Center for Strategic and International Studies, Washington D.C.

I. Introduction

1. Briefing on course outline
2. Briefing on reading list
3. China’s Challenge

II. International Economics and Economic Development

1. International Economics: Introduction
2. Balance of international payments and the exchange rate
*#Krugman et. al., ch. 13
3. International macro policy: Choice of floating vs. fixed exchange rates

*#“Central Bank Intervention and the Money Supply”, pp. 465 – 468 in Ch. 18 of Krugman et.al.

*#“Hong Kong and Singapore’s Experience on the Impossible Trinity and its Implications for the Mainland”, *Economic Review*, Bank of China (HK), February 2016.

4. Business cycles and financial crisis in an open economy

*#Krugman et. al., chs. 21 & 22.

5. Ricardian Model

*#Krugman et.al, ch. 3.

6. Heckscher-Ohlin Model

*#Krugman et. al, ch. 5.

*#宋恩荣，2015，“经济全球化及所得分配：探索与反思”，刊於「经济、金融与基督教视角」，上海社会科学院出版社（林洁珍、黄元山主编），页 24 - 31。

7. Comparative advantage in more general circumstances

*#Krugman et.al, Ch. 6.

8. Alternative models of international trade

#Seev Hirsch, "Hypotheses Regarding Trade Between Developing and Industrial Countries", in The International division of labour problems and perspectives: international symposium, organized by Institut für Weltwirtschaft - Tübingen : Mohr - 1974, p. 65-82

9. International factor movements

#Feenstra & Taylor, ch.5.

10. Free trade and trade policy

#Feenstra & Taylor, chs.8 & 9, *#Krugman et.al., chs. 9 &10.

11. Import-substitution and export-oriented development

*Sung, Yun-Wing, 1973. “Arguments in favour of a lesser developed country pursuing policies which would encourage a more rapid rate of growth of its exports of manufactures” (unpublished term paper).

*#Krugman et.al., ch. 11.

*#Helleiner, G., "Manufacturing for Exports, Multinational Firms and Economic Development," World Development, 1973.

11. Economic Integration

Feenstra & Taylor, ch. 11.1 “International Trade Agreements”.

III. The Chinese Economy: Adaptation and Growth

1. Legacies and Setting, # Naughton 2018, Chs. 1 to 6.

2. Patterns of Growth and Development, # Naughton 2018, Chs. 7 to 10.

3. #The Rural Economy, Chs. 11-13 in Naughton 20018.
4. #The Urban Economy, Chs 14-15 in Naughton 2018.
5. #China and the World Economy, Chs. 15-17 in Naughton 2018.

IV. Recent developments in the Chinese economy

1. The Financial System, Ch. 7 in Kroeber
2. Changing the Growth Model, Ch. 12 in Kroeber.
3. Conclusion: China and the World, Ch. 13 in Kroeber, and Chs. 1, & 10 in Bergsten et. al. 2009.

Module B: Special topics in international finance and economics

I. Financial markets, risk management and economic development

- global economic development and global financial markets
- risk segregation, risk distribution and risk management
- the social functions of financial markets; financial markets and income/wealth distribution; financial inclusion
- innovation, technological change and financial market development
- financial market innovation; fintech

II. Understanding financial crises

- examples of financial crises; backgrounds and causes; lessons
- causes of financial crises: debt & leverage, balance of payments, fiscal sustainability, inflation and exchange rates, liquidity and solvency, market exuberance & market confidence, contagion effects, Minsky moment
- systemic risks and issues, moral hazard problems, too-big-to-fail
- efficient market theories vs behavioral finance and reflexivity
- regulations and the limits of regulations; capital buffer; risk management; “Tobin tax” ideas

III. Understanding central banking, liquidity and interest rates

- monetary policy vs fiscal policy and structural policies; independence of central banks
- payments systems, interbank clearing systems, interbank liquidity and reserves; reserve money vs money
- how do central banks manage short term interest rates
- monetary policy objectives (prices, employment, asset prices?) and target variables (short-term interest rates, money supply growth, long-term interest rates?)
- the behaviour of long term interest rates, inflation expectations, the yield curve
- QE & QQE; central banks’ ability to create money
- managing macroeconomic performance vs regulation of financial markets and supervision of financial institutions

IV. Recent developments in China's financial system

- Key issues in the reform and development of China's financial services sector
- Capacity building; deleveraging; risk management
- RMB internationalization

Suggested readings:

Otmar Issing, "The globalisation of financial markets", September 2000, ECB website (https://www.ecb.europa.eu/press/key/date/2000/html/sp000912_2.en.html)

Alan Greenspan, "International financial risk management", Speech before the Council of Foreign Relations, Washington, DC, 19 November 2002. (<https://www.bis.org/review/r021122a.pdf>)

José Manuel González-Páramo, "Globalisation, international financial integration and the financial crisis: The future of European and international financial market regulation and supervision", 19 February 2010, ECB website (<https://www.ecb.europa.eu/press/key/date/2010/html/sp100219.en.html>)

Zhiwu Chen, "Can markets change society?", Yale Insights, October 23, 2007 (<http://insights.som.yale.edu/insights/can-markets-change-society>)

"What should finance do for society?", Yale Insights, Jan, 2014 (<http://insights.som.yale.edu/insights/what-should-finance-do-society>)

"Wither Efficient Markets? Efficient Market Theory and Behavioral Finance", The Finance Professionals' Post, May 19, 2010 (<http://post.nyssa.org/nyssa-news/2010/05/whither-efficient-markets-efficient-market-theory-and-behavioral-finance.html>)

"Minsky's moment", Economist, July 30, 2016. (<https://www.economist.com/news/economics-brief/21702740-second-article-our-series-seminal-economic-ideas-looks-hyman-minskys>)

"Fed's Kashkari says central bank should avoid fighting asset-price bubbles", MarketWatch, May 17, 2017 (<https://www.marketwatch.com/story/feds-kashkari-says-central-bank-should-try-to-avoid-fighting-asset-price-bubbles-2017-05-17>)

Barry Eichengreen, "Central banks in the dock", Project Syndicate, Nov 10, 2017. (<https://www.project-syndicate.org/commentary/central-bank-independence-in-question-by-barry-eichengreen-2017-11>)

Janet L. Yellen, "A Challenging Decade and a Question for the Future", 2017 Herbert Stein Memorial Lecture, Oct 20, 2017. (<https://www.federalreserve.gov/newsevents/speech/yellen20171020a.htm>)

Nassim Nicholas Taleb, "Fooled By Randomness: The Hidden Role of Chance in Life and in the Markets", Random House, 2001.

George Soros, articles published in Financial Times, October 2009.

- "General Theory of Reflexivity", October 27, 2009:

(<https://www.ft.com/content/0ca06172-bfe9-11de-aed2-00144feab49a>)

- “Financial Markets”, October 28, 2009: (<https://www.ft.com/content/dbc0e0c6-bfe9-11de-aed2-00144feab49a>)

“The inevitability of instability - a welcome burst of new thinking on financial regulation”, *Economist*, Jan 25, 2014: <https://www.economist.com/news/finance-and-economics/21595010-welcome-burst-new-thinking-financial-regulation-inevitability>

Coval, J., Jurek, J., & Stafford, E. (2009), The economics of structured finance. *Journal of Economic Perspectives*, 23 (Winter), 3-25
(<http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.23.1.3>)

The Federal Reserve, “Monetary Policy: What Are Its Goals? How Does It Work?”
(<https://www.federalreserve.gov/monetarypolicy/monetary-policy-what-are-its-goals-how-does-it-work.htm>)

Mishkin, F. S. (2009). Is monetary policy effective during financial crises?, *American Economic Review Papers and Proceedings*, 99(2), 573-577
(<http://www.tau.ac.il/~yashiv/aer.99.2.573.pdf>)

“中國需要新一輪金融改革,打造和國際接軌的金融市場”, bank.jrj.com.cn, 2018.05.19.
(<http://bank.jrj.com.cn/2018/05/19161024563014.shtml>)

Ratna Sahay and James P. Walsh, “Improving Financial Stability in China”, IMF Blog, December 6, 2017. (<https://blogs.imf.org/2017/12/06/improving-financial-stability-in-china/>)

“China’s New Financial Sector Reform: Will They Go Far Enough?”, Knowledge@Wharton, May 29, 2018. (<http://knowledge.wharton.upenn.edu/article/chinas-new-financial-sector-reforms-will-they-go-far-enough/>)

“Brussels sets out plans for euro to challenge dollar dominance”. *Financial times*, December 4, 2018. (<https://www.ft.com/content/58927e22-f729-11e8-af46-2022a0b02a6c>)

SWIFT, “RMB Tracker” (<https://www.swift.com/our-solutions/compliance-and-shared-services/business-intelligence/renminbi/rmb-tracker>)

Module C: Selected topics by guest speakers

As the detail contents of the guest speakers are not known in advance, supplementary readings may be provided to cover the topics of guest speakers or to cover current developments.

1. The Guandong-HK-Macau Big Bay Area and One Belt One Road: Challenges and Opportunities for Hong Kong

China’s official documents:

*# 《 深 化 粵 港 澳 合 作 推 進 大 灣 區 建 設 框 架 協 議 》
https://www.gce.gov.mo/bayarea/files/BayAreaAgreement_cn.pdf

*#“Visions and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime

Silk Road”, National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the PRC, March 2015 (http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html).

Document of Central Policy Unit, Strategic Development Commission, HKSAR Govt.

*#“策略發展委員會：一帶一路”，2015年7月3日 (http://www.cpu.gov.hk/doc/tc/commission_strategic_development/csd_2_2015c.pdf)

*#“Commission on Strategic Development: One Belt One Road (translation)” July 3, 2015 http://www.cpu.gov.hk/doc/en/commission_strategic_development/csd_2_2015e.pdf

*#宋恩榮、潘學智。2018。「大灣區構建協同發展現代產業體系：香港作為國際服務樞紐的角色」，香港文化協進智庫主編《粵港澳大灣區與香港》，香港三聯書店。

2. Economic Integration and the Emergence of Anti-Globalization

*Dani Rodrick, 2007, “The inescapable trilemma of the world economy” (http://rodrik.typepad.com/dani_rodriks_weblog/2007/06/the-inescapable.html)

*Dani Rodrick, 2016, “Put Globalization to Work for Democracies” (<http://www.nytimes.com/2016/09/18/opinion/sunday/put-globalization-to-work-for-democracies.html>)

*Shiro Armstrong and Peter Drysdale, “Navigating the new international economic policy landscape” (http://www.eastasiaforum.org/2018/12/19/navigating-the-new-international-economic-policy-landscape/?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter2018-12-23)

*#Yun-Wing Sung, “Comparing CEPA and ECFA: Economic Integration in the Asia-Pacific Region”, Occasional Paper No. 229, Hong Kong Institute of Asia-Pacific Studies, CUHK.