

ECON 5811 Global Economics and Finance Forum
Course Outline – January 11, 2022

The course is divided into 3 modules:

Module A – Global trade and finance with applications to current issues (7 weeks)

Module B - Research and analysis in a practitioner and policy setting (5 weeks)

Module C - Two selected topics by two guest speakers

Class schedule

Module A: Jan 11, 18, 25 (1st hour); Feb 8, 15, 22, March 1, 22 (1st hour).

Module B: March 8, 15, 29; April 12, 19.

Module C: Jan 25 (2nd & 3rd hours), March 22 (2nd & 3rd hours).

On the date of a Guest lecture, the first hour of class (3.30 pm to 4.15 pm) will be used by Professor Sung for regular teaching, the latter two hours of class (4.30 pm to 6.15 pm) will be used for the Guest lecture.

Instructor: Prof. SUNG Yun-Wing (ELB 509, Tel: 3943 8777, Email: ywsung@cuhk.edu.hk)
Office hour: by appointment

Assisted by Mr. Tsang Wai-him, William (in Module B) (Email: williamtsang@weclsl.biz)
Office hour: by appointment

TA: Mr. Ho Shing-Hin, Kenneth (ELB 1007. Tel: 3943 3536, Email: kennethho103@cuhk.edu.hk)
Office hour: Monday 11.00 am to noon 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. Class participation (see below)
2. Four problem sets (20%)
3. Module A exam (30%) (March 4, 17:30 - 20:15 in LSK LT5)
4. Module B exam (30%) (April 26, 15:30 -18:15 in LSK LT5)
5. Individual report (20%)

Students will not be examined on the contents of Module C.

Requirements

Class Participation

Class participation is mandatory. Attendance lower than 60% will result in a 5 percentage point reduction in score. A bonus of 5 percentage points will be given to students with attendance higher than 90%.

Individual report

A short report (no more than 1,200 words) that analyzes some current economic, market, or industry issues (e.g., effect of US Fed interest cut on the Renminbi exchange rate) is required. Good writing ability is essential. The quality of presentation will be emphasized and graded accordingly. The choice of topic is at the discretion of the student. Students are welcome to discuss it with the instructor. A list of sample topics will be uploaded onto Blackboard in early March. The instructor reserves the right to disallow topics that are not appropriate.

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| 1. Sample topics uploaded onto Blackboard | March 8 |
| 2. Each student uploads title of report onto Blackboard | March 22 |
| 3. Each student uploads report onto Blackboard | May 3 |
| 4. Each student submits hardcopy of report and honesty declaration | May 4 |

VeriGuide (Plagiarism detection engine): You are required to upload a soft copy of your report to the VeriGuide for plagiarism checking (<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/declaration form. You should sign the form and staple the form to the hard copy of the paper to be deposited in the assignment box of Professor Sung on the 9th floor of Esther Lee Building by **5 pm on May 4. Late submissions of poster files or professional reports will be downgraded. A zero mark will be given in case of plagiarism. A zero mark will also be given for papers submitted 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 so as to strengthen their ability to analyze policy issues.

Eminent practitioners 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 in conducting innovative analyses of these issues.

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

Although this course is not mathematically demanding, thorough understanding of economics at the graduate level is assumed. Students who have difficulties with economic concepts are well advised to attend tutorials and/or to seek help from the TA.

Learning outcomes

- Students will gain an advanced understanding of some leading issues in the global economy and finance and have a firm grasp of some basic research tools in economics and finance.
- Students will receive training in the application of economic theory to analyzing policy issues.
- Students will be better equipped for launching careers in business and financial sectors as well as for further studies.

Guest Speakers

Guest speakers will lecture for 2 hours on the following dates, from 4.30 pm to 6.15 pm. The instructor will take up all other classes.

1. January 25, 2022 – Mr. Billy WONG
Deputy 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 22, 2022 – Mr. Julian CL Ip
Political Assistant to Secretary for Financial Services and the Treasury, HKSAR Government
“Hong Kong: International Financial Centre”

ECON 5811 Global Economics and Finance Forum
Course Structure and Reading List

January 11, 2022

This course is made up of 3 modules, described in the following.

Module A: Global Trade and Finance with Applications to Current Issues

Synopsis

Module A covers the theory of international trade and finance with applications to a wide variety of real world economic and financial issues in Hong Kong, Mainland China, and the world. This module would strengthen the students' ability to analyze policy issues.

- 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.
- References are marked with a “#”.
- **Lecture notes will NOT be so detailed that they can substitute for lecture attendance.**

Many readings are drawn from the following two electronic books in the Library. These readings are referred to by the names of the authors of the two books, namely, ‘Krugman et. al’ for chapters from *International Economics* and ‘Mabubani’ for chapters from *Has China Won*. The other readings are soft copies uploaded onto Blackboard.

*Krugman, Paul R., Obstfeld, Maurice, and Melitz, Marc J., 2017, International Economics: Theory and Policy, Pearson International Edition, 11th edition.

*Kishore Mahbubani, 2020. Has China Won? The Chinese Challenge to American Primacy, Public Affairs.

1 Introduction

1.1 Briefing on course outline

1.2 Briefing on reading list

1.3 China’s Challenge

1.3.1 * Nye, Joseph, 2017.1.11, “The Kindleberger Trap”

<http://www.arabnews.com/node/1037211/columns>

1.3.2 *#Mabubani, chs. 1, 2, and 3.

1.4 International Economics: Introduction

2 International Finance and Macro Policy

2.1 Balance of international payments and the exchange rate

2.1.1 *#Krugman et. al., ch. 13

2.1.2 Application: Balance of payments of China, USA, and HK

2.2 International macro policy: Choice of floating vs. fixed exchange rates

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

2.2.2 *#Zhang Chaoyang & Choi Wing Hung, 2016.2. ”Hong Kong and Singapore’s Experience on the Impossible Trinity and its Implications for the Mainland”, *Economic Review*, Bank of China (HK) (Bilingual).

2.2.3 Applications:

2.2.3.1 Asian Financial Crisis

2.2.3.2 A pure fixed exchange rate system: Currency Board

2.2.3.3 China’s trilemma & exchange control in developing countries

2.2.3.4 Is China a “Currency Manipulator”?

2.3 Business cycles and financial crisis in an open economy: *#Krugman et. al., chs. 20, 22.

2.3.1 Applications

2.3.1.1 2008 Global financial crisis

2.3.1.2 Sovereign debt crisis

2.3.1.3 Contagion of financial crisis

2.3.1.4 Global imbalance after the financial crisis

2.3.1.5 Post 2008 recovery

2.3.1.6 Impact of Covid-19

3 International Trade and Factor Movement

3.1 Ricardian Model: *#Krugman et.al, ch. 3.

3.1.1 Application: Why central planning tends to be autarkic?

3.2 Heckscher-Ohlin Model: *#Krugman et. al, ch. 5.

3.2.1 Applications:

3.2.1.1 H-O Model: Globalization & income distribution - *#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。

3.2.1.2 Political economy of income inequality

3.3 Comparative advantage in more general circumstances: *#Krugman et.al, Ch. 6.

3.4 Alternative models of international trade

3.4.1 Application to Mainland-HK trade

3.4.2 Combining three trade models - *#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 (Scanned copy on Blackboard)

3.5 International factor movements: *#Krugman et.al, “International Labor Mobility” in Ch. 4.

3.5.1 Applications

3.5.1.1 HK’s FDI in China: Outsourcing of manufacturing

3.5.1.2 Public policy towards multinationals

4 Trade Policy and Economic Development

4.1 Free trade and trade policy - *#Krugman et.al., chs. 9 &10.

4.1.1 Application:

4.1.1.1 Trump’s tariff-quotas - *#Krueger, Anne O, 2018.11.8. “Trump’s Tariff-quota Follies”, Speech at University of Minnesota, <https://cla.umn.edu/heller-hurwicz/news-events/news/honoring-distinguished-economist-anne-o-krueger>, or <https://www.youtube.com/watch?v=-WZAuyMTUX4>

4.2 Import-substitution and export-oriented development - *#Krugman et.al., ch. 11.

4.2.1 Applications

4.2.1.1 Experience of ‘Four Little Dragons’

4.2.1.2 Trade liberalization

4.2.1.3 China’s opening

4.2.1.4 Promotion of manufacturing exports in LDCs

4.2.1.4.1 *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, scanned copy on Blackboard).

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

5 Economic Integration and Anti-Globalization *#Krugman et.al., “International Negotiation & Trade Policy” in ch. 10, ch. 12.

5.1 Applications:

5.1.1 Mainland-HK integration: National or international? - *#Sung, Yun-Wing, 2018. “Becoming Part of One National Economy: Maintaining Two Systems in the Midst of the Rise of China”, Tai-lok Lui, Stephen W.K. Chiu, and Ray Yep edited, *Routledge Handbook of Contemporary Hong Kong*, pp. 66 - 85.

5.1.2 Anti-Globalization - *Dani Rodrick, 2007. “The inescapable trilemma of the world economy”, https://rodrik.typepad.com/dani_rodriks_weblog/2007/06/the-inescapable.html

Module B - Research and Analysis in a Practitioner and Policy Setting

Synopsis:

Module B is a 5-week mini-series, through which students can better equip themselves to become an aspiring, job-market ready research analyst. Students will get familiar with the analytical perspective of a policy research environment. They will generate actionable insights from the analyses. They will also gain first-hand experience through immersing in actual research projects that the instructor has worked on.

Description:

The first aim is to familiarize students with the analytical techniques that are commonly used in the daily work of a research analyst, some of which may not be commonly taught in a classroom environment.

The second aim is to put those techniques to work in practical research projects. The instructor shall take the students through from beginning to end, showing them all the details and data employed in the projects.

A powerful data visualization tool, Tableau, is being increasingly utilized among practitioners. It is by now a must-know for young graduates aspiring to enter the research analyst profession. Students will learn the basic skills in using Tableau and will appreciate its powerful applications in diverse settings.

Suggested readings:

RYC Wong; WWH Tsang, et. al. (2016), “Rethinking Public Housing Policy Building Sustainable Land Reserve”, Our Hong Kong Foundation Policy Research Series

- Part One: Chapters 2 to 6
(https://ourhkfoundation.org.hk/ebook/More/ENG_Housing_20161004/index.html)
- Part Two: Chapters 1 to 2
(https://ourhkfoundation.org.hk/ebook/LH_NEW/Rethinking_Public_Housing/ENGLISH_Land/index.html)

RYC Wong; WWH Tsang et. al. (2017), “Housing Policy Reform to Narrow Wealth Gap Urgent Formation of Land to Improve People’s Livelihood”, Our Hong Kong Foundation Policy Research Series

(https://ourhkfoundation.org.hk/ebook/LH_NEW/Housing_Policy_Reform_to/ohkf_land_and_housing_2017_en/index.html)

- Part One: Chapters 2 to 6
- Part Two: Chapters 2

International Labour Organization. (2017) World Social Protection Report 2017-2019: Universal social protection to achieve the Sustainable Development Goals. Retrieved from (https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_604882.pdf)

International Labour Organization. (2019). UI schemes around the world: Evidence and policy options. Retrieved from (https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_723778.pdf)

Meyer, B. D., & Mok, W. K. (2014). A short review of recent evidence on the disincentive effects of UI and new evidence from New York State. *National Tax Journal*, 67(1), 219-251.

Legislative Council. (2021). UI systems in selected places. Retrieved from (<https://www.legco.gov.hk/research-publications/english/2021in05-unemployment-insurance-systems-in-selected-places-20210226-e.pdf>)

Tableau free learning resources
(<https://public.tableau.com/en-us/s/resources>)

Article series published on Hong Kong Economic Times (只有中文):

“實證為本重推租置 疏導置業訴求”, 1 December 2020
(<https://paper.hket.com/article/2816477/%E5%AF%A6%E8%AD%89%E7%82%BA%E6%9C%AC%E9%87%8D%E6%8E%A8%E7%A7%9F%E7%BD%AE%20%E7%96%8F%E5%B0%8E%E7%BD%AE%E6%A5%AD%E8%A8%B4%E6%B1%82>)

“「樓市動向指數」揭示次季樓價破頂”, 31 May 2021
(<https://paper.hket.com/article/2969950/%E3%80%8C%E6%A8%93%E5%B8%82%E5%8B%95%E5%90%91%E6%8C%87%E6%95%B8%E3%80%8D%20%E6%8F%AD%E7%A4%BA%E6%AC%A1%E5%AD%A3%E6%A8%93%E5%83%B9%E7%A0%B4%E9%A0%82>)

“房地「舊蹺」也無妨 兌現才是關鍵”, 7 October 2021
(<https://paper.hket.com/article/3075849/%E6%88%BF%E5%9C%B0%E3%80%8C%E8%88%8A%E8%B9%BA%E3%80%8D%E4%B9%9F%E7%84%A1%E5%A6%A8%20%E5%85%8C%E7%8F%BE%E6%89%8D%E6%98%AF%E9%97%9C%E9%8D%B5>)

“推銷假希望 礙增房屋供應”, 13 October 2021
(<https://paper.hket.com/article/3080460/%E6%8E%A8%E9%8A%B7%E5%81%87%E5%B8%8C%E6%9C%9B%20%E7%A4%99%E5%A2%9E%E6%88%BF%E5%B1%8B%E4%BE%9B%E6%87%89>)

Module C: Topics by Guest Speakers
Readings will be announced later