

Hong Kong University of Science & Technology, Division of Social Science
SOSC 1440 Introduction to Economics Fall 2021

Tuesday/Thursday (L1) 12:00-13:20, LTB and live streamed on Zoom (for links see Canvas)

Instructor: Carsten A. Holz

Office hours (during the teaching period): Tuesday 11:00-11:50, Room 2368 and on Zoom

Contact: carstenholz@gmail.com (or socholz@ust.hk) Include “SOSC 1440” in the subject line.

Teaching assistant (TA): Mr. Stephen CHOY Chi Ho

Office hour Wednesday 14:00-15:00, Room 3005 (Lift 4). Contact: choyho@ust.hk

The teaching assistant is not authorized to respond to any form of special request.

*Please read this syllabus before contacting the instructor or the teaching assistant.
If you want to contact more than one of us, please email one of us and cc to the other.*

We use Canvas: Zoom Meeting, Announcements, Assignments, Files, Syllabus

We use powerpoint slides, the visualizer (for handwritten notes), and occasionally the Whiteboard.

Course description

This course introduces the fundamental principles of microeconomics and macroeconomics. For many students, this may be the only economics course they ever take. Therefore, we soon focus on macroeconomics, the part of economics you will likely find most useful in the future, such as when following economics discussions in the news.

We cover basic concepts of supply and demand, the definition and construction of macroeconomic variables, the determination of output, unemployment, prices, and interest rates in the long run and in the short run, and an introduction to open economy macroeconomics. In detail, the course covers:

- seven core principles of economics through which to view, analyze, and understand human behavior;
- key variables of interest to economic policy makers and citizens, namely output, inflation, and employment;
- the distinction between real and nominal data;
- determinants of economic growth in the long run, some facts of economic growth, and the implications of economic growth;
- business cycles with the determinants of output, employment, and interest rates in the short run, policy options to address recessionary or expansionary gaps, and the multiplier effect;
- the objectives and tools of macroeconomic policy;
- an introduction to the international economy with the economics of the current account and the foreign exchange market;
- current and recent economic events, including the 2008 U.S. financial crisis.

Intended learning outcomes

On completion of the course, students are expected to be able to:

- Understand the logic of economic reasoning.
- Apply basic economic analysis to explain and predict economic outcomes.
- Have a deeper understanding of economic issues and events.
- Be able to critically evaluate discussions of economic issues.

Textbook

Frank, Robert H., and Ben S. Bernanke (also: Kate Antonovics and Ori Heffetz). *Principles of Macroeconomics* (8th Edition, 2022). McGrawHill (ISBN: 9781264364756).

- (1) An online copy of the textbook is available in the library:
Title: Principles of Macroeconomics (2022 ! , not 2019)
Course no.: SOSOC 1440; Lecturer: Prof. Holz, Carsten A.; Semester: Fall 2021
Direct link: <https://ebookcentral.proquest.com/lib/hkust-ebooks/detail.action?docID=6452002>
- (2) The campus bookshop states that hard copies may not be in stock in time; price HKD 373.20.
The campus bookshop provides an Ebook copy within 3-6 working days for HKD 350.
- (3) Amazon.com typically sells the textbook in hard copy and in Ebook format, to buy or rent; as of August 2021, the 2022 version of the textbook is not yet available.

Supplementary material may be added.

The power point slides for the textbook are available on Canvas. See Folder “PowerpointSlides”.

Requirements and grading

- (1) Assignments: 24%. Each assignment counts 3% and is typically graded pass/fail. Typically assigned on Thursday and due on Tuesday before class.
A maximum of 21 percentage points can be obtained in 7 assignments (out of approximately 9 or 10 given) in weeks 1-12 of the semester.
Another 3 percentage points can be obtained in the assignment given in “Week 13” of the semester, likely not graded pass/fail but with percentage points assigned according to performance.
Assignment answers will be discussed in class. Model answers from the textbook may be made available just before the relevant exam.
Assignment questions typically refer to textbook end-of-chapter “Problems” (questions); a scan of *all* of these “Problems” is available in one file on Canvas – Files – Problems-Questions...
Assignment answers must be submitted in Canvas. Please copy your answers into the Canvas window. Don’t worry about formatting. If the assignment question asks for a chart or table, do it for yourself and do not submit. Alternatively, less desirable, you can upload a file with your answers; in this case, use a standard file format (docx, pdf, jpg, png).
You are free to collaborate with other students in pondering answers to the assignment questions, but your answers must be written up separately (must not be identical).
If you experience problems with Canvas, it is your responsibility to resolve the problems with Canvas technical support. It would seem best to do the first assignment so that if there is a technical difficulty (and you receive zero points for the first assignment) you still have enough opportunities to score full points on assignments.
Late submissions are *not accepted* under any circumstances (including illness, family emergencies, technical difficulties with Canvas, or joining the course late).
 - (2) Mini-Assignments: 8%. 1% (pass/fail) for each mini-assignment up to a maximum of 8 mini-assignments, out of approximately 10. These are short ‘thinking’ assignments typically assigned on Tuesday and due on Thursday; each mini-assignment should take no longer than 10-30 minutes.
Answers may be discussed in class. Mini-Assignments are also handled on Canvas. The same rules apply as for ‘regular’ assignments (you may collaborate but not copy, etc.).
 - (3) Two closed-book midterm exams, in class, mandatory, non-cumulative: 34% each.
Dates: Week 7 Tuesday 12 October 2021, and Week 13 Tuesday 23 November
Exam questions are mostly (but need not only be) multiple choice questions.
Exam coverage: material presented/discussed in class, assignments, film(s), and the required readings (including supplementary readings and news items as covered in class). Bring a simple calculator (and your student ID and writing utensils) to all exams. *Programmable* calculators and cell phones are prohibited. Exams will not be returned to the student.
- Class attendance is not required. If attendance turns out to be consistently low, attendance may become a requirement and this will then be announced. Going forward, attendance will then become graded, with adjustments to the exam weights.

Missing an exam.

Missing an exam implies a score of zero, with the following *exceptions*, in which cases *you have to take the initiative* to be given a (likely essay-type) make-up exam: (i) the university excuses you from taking the exam; (ii) *documented* medical emergencies, or family emergencies, approved by the instructor.

In the case of a medical emergency, a doctor's certificate stating specifically that you were too ill to work on the day of the final exam is required. (A statement that you saw the doctor is not good enough.)

In the case of an emergency situation with a close family member, objective documentary evidence is required. An email from you, or a letter from a parent, is not enough. You need to, to the greatest extent possible, document the specific family emergency and your presence at this emergency.

Face-to-face teaching and Zoom

All classes are taught face-to-face. The class will also be live-streamed. Any student enrolled in the course may view the course live via Zoom and not come to the face-to-face class. (No recording will be available.) Zoom participants should expect to be viewers only; they will likely not be able to actively participate in the class. Exams must be taken on campus; students excused by the university administration will be tested online, if technically possible at the scheduled exam date.

According to the Hong Kong "government," "maintaining social distancing is key to delay the spread of COVID-19 in Hong Kong" and therefore "group gatherings of more than four persons in public places" are prohibited (https://www.coronavirus.gov.hk/eng/social_distancing-faq.html). This means that while the Hong Kong "government" considers *even outdoor* gatherings of more than four people such a danger to public health as to prohibit them, the HKUST administration mandates *indoor* gatherings of *two hundred* people at far less than social distance. This would seem a direct violation of the Hong Kong "government's" regulation for the protection of public health and thereby to endanger our everyone's health. Furthermore, if any one of us tests Covid-19 positive, we will all be sent to the "government's" quarantine prison—in my experience of immigration quarantine a traumatic experience (and detrimental to your academic progress).

In the course of the semester we may move the course to online-only if there is good reason to do so, whether by order of the university administration, due to the development of the pandemic, or suggested by student attendance and face-to-face vs. Zoom presence.

Optional readings

The field of economics started with Adam Smith's *Wealth of Nations*, written in 1776. It's still one of the best presentations of basic economic ideas. But given the language—it was written almost 250 years ago—it's not an easy read.

A more "recent" book is Milton Friedman and Rose Friedman, *Free to Choose: A Personal Statement*, of 1990 (any edition will do). It's written for non-economists and explains with many examples.

Chapters 1, 2 and possibly 3 and 9 may be the most relevant. The other chapters apply economics to the specifics of the U.S. through approximately 1980. Read with a critical mind.

A large number of popular books involve economics. See, for example, *Freakonomics* or *Economic Naturalist*.

Class Schedule

The class schedule may change. The midterm exam dates are final once the add/drop period has ended.

Week 1: Thursday 2 September

Textbook Frank/Bernanke FB 1: Thinking Like an Economist

Week 2: Tuesday 7 September and Thursday 9 September

FB 2 Comparative Advantage

FB 3 Supply and Demand

Week 3: Tuesday 14 September and Thursday 16 September

FB 4 Macroeconomics: The Bird's-Eye View of the Economy

FB 5 Measuring Economic Activity: GDP and Unemployment

Week 4: Tuesday 21 September and Thursday 23 September

FB 6 Measuring the Price Level and Inflation

Breathing space

Week 5: Tuesday 28 September and Thursday 30 September

FB 7 Economic Growth, Productivity, and Living Standards

FB 8 The Labor Market: Workers, Wages, and Unemployment

Week 6: Tuesday 5 October and Thursday 7 October

FB 9 Saving and Capital Formation

Breathing space

Week 7: Tuesday 12 October (Thursday 14 October is a public holiday)

First midterm exam Tuesday 12 October in-class

Week 8: Tuesday 19 October and Thursday 21 October

Film *Inside Job*

Week 9: Tuesday 26 October and Thursday 28 October

FB 10 Money, Prices, and the Federal Reserve

FB 11 Financial Markets and International Capital Flows

Week 10: Tuesday 2 November and Thursday 4 November

FB 12 Short-Term Economic Fluctuations: An Introduction

FB 13 Spending and Output in the Short Run

Week 11: Tuesday 9 November and Thursday 11 November

FB 14 Stabilizing the Economy: The Role of the Fed

Breathing space

Week 12: Tuesday 16 November and Thursday 18 November

FB 15 Aggregate Demand, Aggregate Supply, and Inflation

FB 16 International Trade and Trade Policy

Week 13: Tuesday 23 November and Thursday 25 November and Tuesday 30 November

Second midterm exam Tuesday 23 November in-class

? Film *Capital in the Twenty-First Century*

FB 17 Exchange Rates and the Open Economy