

Hong Kong University of Science & Technology, Division of Social Science
CORE 1810 Understanding Our Economy Fall 2023 DRAFT
Day/time/room *Final version will be released at semester beginning*

Instructor: Carsten A. Holz

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Teaching assistant (TA): **TBA**

Office hour: Day/time/room. Contact: **email**

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: Announcements, Assignments, Files, Syllabus, and possibly Pages

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

Catalog description

This course introduces students to the fundamental principles of economics, in particular the determination of macroeconomic variables – output, employment, and prices – and the policy tools (and choices) used to (try to) achieve particular outcomes, over different time horizons. Special attention is being paid to current economic events in Hong Kong and globally.

Course description

This course introduces the fundamental principles of economics. Since this may be the only economics course you will ever take, we soon focus on macroeconomics as that part of economics which you will likely find most useful in the future, for example 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:

- Describe and explain the logic of economic reasoning
- Apply basic economic analysis to explain and predict economic outcomes
- Describe and explain economic issues and events
- 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 [or 2021 or 2020]). McGrawHill (ISBN: 9781264364756).

(1) An online copy of the textbook is available in the library:

Title: Principles of Macroeconomics (2022 [or 2021 or 2020]), not 2019)

Course no.: CORE 1810; Lecturer: Prof. Holz, Carsten A.; Semester: Fall 2023

Direct link: <https://ebookcentral.proquest.com/lib/hkust-ebooks/detail.action?docID=6452002>

(2) **Campus bookshop?** (Hard copy, Ebook, prices)

(3) Amazon.com typically sells the textbook in hard copy and in Ebook format, to buy or rent.

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. A further 3 percentage points can be obtained in the assignment given in “Week 13,” likely not graded pass/fail but with percentage points assigned according to performance.

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 will be discussed in class. Model answers from the textbook may be made available just before the relevant exam.

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 (or scan of) your answers; use a standard file format (docx, pdf, jpg, png); hand-writing is OK.

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.

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 in the first class of the week and due in the second; each mini-assignment should take no longer than 10-20 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 **Day/Date**, and Week 13 **Day/Date – Fall 2023: possibly 1 midterm, 1 final exam**

Exam questions are mostly (but need not only be) multiple choice questions.

Exam coverage: all material presented/discussed/covered in class, assignments, 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 recorded. If attendance turns out to be consistently low, attendance may become a requirement (graded, with above requirements re-weighted) and this will then be announced.

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.

Tentative Class Schedule (depends on fall 2023 dates not yet released)

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

Week 1 (if one class)

Textbook Frank/Bernanke FB 1: Thinking like an Economist

Week 2

FB 2 Comparative Advantage

FB 3 Supply and Demand

Week 3

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

FB 5 Measuring Economic Activity: GDP and Unemployment

Week 4

FB 6 Measuring the Price Level and Inflation

Breathing space

Week 5

FB 7 Economic Growth, Productivity, and Living Standards

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

Week 6

FB 9 Saving and Capital Formation

Breathing space

Week 7

Public holiday?

First midterm exam, in-class

Week 8

Film *Inside Job*

Week 9

FB 10 Money, Prices, and the Federal Reserve

FB 11 Financial Markets and International Capital Flows

Week 10

FB 12 Short-Term Economic Fluctuations: An Introduction

FB 13 Spending and Output in the Short Run

Week 11

FB 14 Stabilizing the Economy: The Role of the Fed

Breathing space

Week 12

FB 15 Aggregate Demand, Aggregate Supply, and Inflation

FB 16 International Trade and Trade Policy

Week 13 (if 3 classes)

Second midterm exam, in-class

? Film *Capital in the Twenty-First Century*

FB 17 Exchange Rates and the Open Economy