

**Hong Kong University of Science & Technology, Division of Social Science**  
**CORE 1449 Understanding Our Economy Fall 2023**  
Tue/Thu 12:00-13:20, 2464

**Instructor:** Carsten A. HOLZ

Office hour (during the teaching period): Tue 10:30-11:30, Room 2368

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**Teaching assistant (TA):** Stephen Chi Ho CHOI

Office hour: Wed 3-4pm, Rm 2369

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*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 on reserve in the library: At library reserve, choose “Instructor” and enter “Holz”, or find via course name

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

(2) Campus Textbook Service Point / Counter and HKUST’s Online Textbook Ordering

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

Supplementary material may be added. Textbook power point slides are available on Canvas – Files.

## Requirements and grading

(1) Assignments: 24%. Typically assigned on Thursday and due on Tuesday before class.

Each assignment counts 3% and is typically graded pass/fail. 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 (exceptionally) graded 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 titled ‘Problems...’ on Canvas – Files.

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).

Late submissions are *not accepted* under any circumstances (including illness, family emergencies, technical difficulties with Canvas, or joining the course late). Any problems with Canvas are your responsibility to resolve with Canvas technical support.

(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.).

(3a) One closed-book midterm exam, Thursday 12 October, in class: 26%.

(3b) Final exam, cumulative, in the final exam week as scheduled by the university: 42%.

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 calculator (not programmable, not on cell phone), your student ID and writing utensils) to all exams.

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 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 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.

## Class Schedule

*The class schedule may change. The midterm exam date is final once the add/drop period has ended.*

### Week 1

Textbook Frank/Bernanke FB 1: Thinking like an Economist  
FB 2 Comparative Advantage

### Week 2

FB 3 Supply and Demand  
Breathing space *or* FB 4 Macroeconomics: The Bird's-Eye View of the Economy

### Week 3

*continued* 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

Breathing space / FB 9 Saving and Capital Formation  
Midterm exam, in-class, Thursday 12 October 2023

### Week 7

*continued* FB 9 Saving and Capital Formation  
FB 10 Money, Prices, and the Federal Reserve

### Week 8

*continued* FB 10 Money, Prices, and the Federal Reserve  
Film *Inside Job* (beginning of film in previous class)

### Week 9

FB 11 Financial Markets and International Capital Flows  
FB 12 Short-Term Economic Fluctuations: An Introduction

### Week 10

*continued* 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  
Breathing space *or* FB 16 International Trade and Trade Policy

### Week 13

Film *Capital in the Twenty-First Century* (beginning [end] of film in previous [next] class)  
FB 17 Exchange Rates and the Open Economy