

ECON 3123: Macroeconomic Theory I

1. WHO ARE THE INSTRUCTORS?

General Information

- Instructor: Byoungchan Lee ([bclee@ust.hk](mailto:bcleee@ust.hk))
- Section Time and Location (3 Units)
 - Wed/Fri 1:30 – 2:50 PM, Rm 2404 (Lifts 17-18) / **Zoom ID:** 703-129-619
- Office hours: Wed 10:00 AM – noon, LSK Rm 6068 / **Zoom ID:** 826-662-181
- Course Website: <https://canvas.ust.hk>

Teaching Assistant

- Dominic J. Pegler (ecdjpegler@ust.hk)
 - T1: Mon 6:00 – 6:50 PM, LSK Rm 1010 / **Zoom ID:** 549-896-241
 - Office hours: Tue 4:30 – 6:30 PM, **Zoom ID:** 515-008-9299
- Weekly Tutorials
 - In tutorials, we will review course material, sharpen analytical techniques, and cover exercise questions.
 - The first tutorial will be held on February 24.

2. WHAT IS THIS COURSE ABOUT?

Course Description

This is an introductory course to macroeconomic theory. It covers business cycles in a closed economy and economic growth. This course deals with theory, data, and economic policies to develop a balanced perspective on the real-world economic environment.

We begin with defining major macroeconomic variables such as gross domestic product, price level, and unemployment rate. Then, we will investigate how the goods and money markets move in the short run (IS-LM). Building on the IS-LM model, we introduce the labor market and prices into the analysis and develop the IS-LM-PC framework for both the short run and the medium run. Using the theoretical framework, we study what can be done by a fiscal authority and a central bank to stabilize macroeconomic fluctuations. Finally, we will study the long-run trends in output and productivity, i.e., economic growth.

Required Textbook

- Blanchard, Olivier (2017), *Macroeconomics*, 7th ed., Pearson.
- Chapters from the textbook will be assigned as readings. You are expected to read them.
- Because the 7th edition of this textbook is substantially different from the previous editions, you are strongly advised to have the 7th edition.

References

This list is only for those who find macroeconomics fascinating and want to study further in the future. They are not included in the required readings.

- Garin, Julio, Robert Lester and Eric Sims (2019). *Intermediate Macroeconomics*. https://www3.nd.edu/~esims1/gls_textbook.html
- Landefeld, J. Steven, Eugene P. Seskin, and Barbara M. Fraumeni (2008). "Taking the Pulse of the Economy: Measuring GDP." *Journal of Economic Perspectives* 22(2): 193–216. <https://www.aeaweb.org/articles?id=10.1257/jep.22.2.193>
- Romer, David H. (2000). "Keynesian Macroeconomics without the LM Curve." *Journal of Economic Perspectives* 14(2): 149–69. <https://www.aeaweb.org/articles?id=10.1257/jep.14.2.149>
- Bernanke, S. Ben (2013), "A Century of US Central Banking: Goals, Frameworks, Accountability." *Journal of Economic Perspectives* 27(4): 3-16. <https://www.aeaweb.org/articles?id=10.1257/jep.27.4.3>
- Krugman, Paul (1994). "The myth of Asia's miracle." *Foreign Affairs* 73, November-December: 62-75.

Learning Outcome – School Intended Learning Outcomes (“SILOs”)

Upon successful completion of this course, you should be able to:

- 1) Identify important macroeconomic variables and understand their relationships.
(SILO # 4.1)
 - 2) Gather and organize the relevant macroeconomic information for a given context.
(SILO # 7.2)
 - 3) Apply tools learned in class to analyze some historical and current macroeconomic events. (SILO # 4.2)
 - 4) Discuss the consequences of a macroeconomic shock or a policy intervention. (SILO # 4.3)
 - 5) Develop an appreciation for macroeconomics and a desire to continue further study.
(SILO # 9)
- For the details of SILOs, please refer to the following link:
<http://www.bm.ust.hk/sbmlearn/eng/thirdcat.php?sid=5&thirdid=3>

Course Outline and Tentative Schedule

- I. Introduction and Measurement (Chapter 1 and 2): Week 1-2
- II. The Short Run
 - a. The Goods Market and The IS Relation (Chapter 3): Week 3
 - b. Financial Markets and The LM Relation (Chapter 4): Week 4
 - c. Goods and Financial Markets: The IS-LM Model (Chapter 5): Week 5
 - d. Financial Markets II: The Extended IS-LM Model (Chapter 6): Week 6
- III. The Medium Run
 - a. The Labor Market (Chapter 7): Week 7
 - b. The Phillips Curve, the Natural Rate of Unemployment, and Inflation (Chapter 8): Week 8
 - c. From the Short to the Medium Run: The IS-LM-PC Model: Week 9
- IV. The Long Run
 - a. The Facts of Growth (Chapter 10): Week 10
 - b. Saving, Capital Accumulation, and Output (Chapter 11): Week 11
 - c. Technological Progress and Growth (Chapter 12): Week 12
 - d. Technological Progress: The Short, the Medium, and the Long Run (Chapter 13): Week 13

3. ASSESSMENT / EXAMS / PROBLEM SETS

Assessment Scheme

Problem Sets	20%	4 problem sets
Pre-exam Check-up Session	5%	TBA
Midterm	35%	April 1, Wednesday
Final	40%	TBA

- Attendance to lectures and tutorials are not mandatory (except for the pre-exam check-up session) but strongly recommend.
- We will hold a pre-exam check-up session in one of our tutorials before the midterm exam. The purpose of this session is to have a dry-run of the exam and resolve technical issues if there is any. Attending this session and following the instruction is mandatory.

Exam, Review Session, and Re-grading policy

- The final exam is cumulative but focuses on the materials discussed after the midterm.
- We will hold a review session before each exam (Mar 27, May 15).
- If there is an issue that prevents you from taking either the midterm or the final, please contact the instructor BEFORE the exams.
- Re-grading policy. If you believe that there is an error in the grading,
 - you can file a formal, typed re-grading request to your TA. The request should list the question you want to be re-graded and an explanation of why.
 - The request should be emailed to your TA within 7 days after the exam is returned.
 - The TA reserves the right to regrade the entire exam. Scores may increase or decrease as a result.
 - The TA further reserves the right to reject any request for fewer than 3 points.

Problem Sets

- We will have four problem sets, and all of them will be counted toward the letter grade.
- Working in groups is welcome and recommended. However, each student should submit individually written reports.
- Late submissions will not be accepted.
- Graded problem sets will be returned through Gradescope. An invitation will be sent to your HKUST email account.

4. WHEN YOU HAVE QUESTIONS OR SUGGESTIONS...

Email policy

- Please add [Econ 3123] in the title line of your email. It may take up to 2 or 3 days to respond in busy times like exam periods.

Office Hours

- Time and Location: Wed 10:00 AM - noon, LSK 6068 / Zoom
- If you are not available during the time above, we can arrange a separate meeting. Alternatively, we can just talk before or after each lecture.
- You can also go to the TA's office hours.

Questions asked right before exams and due dates of problem sets may not be answered.

5. STUDENT COUNSELING

Many students experience personal and family problems, as well as emotional difficulties, such as depression, suicidal thoughts, and anxiety, while in college. The Counseling and Wellness Center is available to consult with you regarding various emotional health issues that may affect you or your friends. The Counseling and Wellness Center is in Room 5003, Academic Building (via Lift 3). You can also make an online appointment with student counselors. Outside office hours, you can call 8208 2688, which is a 24-hour helpline for all HKUST students.