



Economics for Financial Analysis (MFIN 7007)
2017-2018

Instructors:

Dr. C. Chen

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Modules: 2 and 4

Class meeting: 6:45pm – 9:45pm (Tu. and Th.)

Final Exam (3 hours): TBD

Teaching assistant: Xing Wei

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All course materials are available in Dr. Cheng Chen's website:

<http://www.sef.hku.hk/~ccfour/#Teaching>

Fall 2017:

[Economics for Financial Analysis \(MFIN 7007\)](#)

Prerequisites: Knowledge on introductory microeconomics and macroeconomics ECON 101 and 102)

Textbook: *Macroeconomics* by Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, 8th edition (9th edition is ok), Pearson Addison Wesley.

Assessment:

One short essay and homework	20% (10%+10%)
Three in-class tests (20 minutes)	20%
Final Examination	60%

Short Essay:

Economics is a persuasive science, and mathematics and statistics are just tools economists use to make their arguments. Therefore, writing essays that convincingly make your arguments is the key to both

academic success and applications of economic tools in daily life. During the course, the instructor will discuss three economic phenomena (e.g., consumption and investment in China, the growth miracle of East Asian four dragons, the housing bubble in Hong Kong) for the topic of the short essay (less than 800 words). The instructor will touch each topic briefly in the class and leave some materials from which you can learn more related to each topic. After you do extra readings and collect enough data by yourself, you can start writing the short essay. Remember that you have to make your argument based on logical thinking and data support.

You can find good economics essays from Economist, VoxEU:

<http://www.economist.com/>

<http://www.voxeu.org/>

This semester, students are asked to form groups (5 students each group) to write an essay. The overall grade will be given to the essay written by each group. Group members also do peer-evaluation, which determines the grades of group members. Comments will be given to each essay by the instructor. In addition, some groups will be asked to present their essays in the class. Group formation is voluntary. Please let the TA know, if you cannot find any group that invites you.

In order to avoid the congestion of submitting essays, the TA and the instructor will assign the topic to each group.

Additional topic for the short essay: Why does the labor share have fallen in all major economies in the past three decades?

Course Description:

Theories of income, employment, and the price level; analysis of secular growth and business fluctuations; introduction to monetary and fiscal policy.

This course is macroeconomics—the study of the entire economy as opposed to individual markets—at an intermediate level. Questions include but are not limited to: What drives long-run economic growth? What causes short-run fluctuations in income and output? How do government policies affect aggregate output, unemployment, and inflation? A variety of models are developed in macroeconomics to analyze such questions. This course introduces students to the basic models for the major macroeconomic questions.

While the topics covered are similar to topics covered in Introductory Macroeconomics, the approach in this class would be quite different to the extent that the theory examined would be firmly grounded on rigorous economic principles as far as possible, an approach that is known as the microeconomic foundation of macroeconomics.

Course Objectives:

1. To provide a simple yet rigorous framework to understand real world macroeconomic events.
2. To avoid the fallacies and mistakes often made in the popular press and by your favorite investment gurus on the causes and consequences of long-run growth and short-run fluctuations.
3. To prepare students for more advanced studies in macroeconomics.

Alignments of faculty's overall goals and course learning outcomes:

Course Learning Outcomes	Aligned Faculty Goals
CLO1. Be able to interpret real world macroeconomic events intelligently.	Goal# 1, 2, 3, 4, 5
CLO2. Be ready for more advanced studies in macroeconomics.	Goal# 1, 2
CLO3. Be able to distinguish good and bad explanations for particular macroeconomic developments.	Goal# 1, 2, 3, 4
CLO4. Be able to understand and articulate the effects of important macroeconomic policy changes.	Goal# 1, 2, 3, 4, 5
Goal 1 - Acquisition and internalization of knowledge of the programme discipline Goal 2 - Application and integration of knowledge Goal 3 - Inculcating professionalism and leadership Goal 4 - Developing global outlook Goal 5 - Mastering communication skills	

Teaching and Learning Activities (TLA):

Activities	Expected contact hours	Study load (% of study)
1. Lecture	36	26
2. Tutorial	10	7
3. Problem set	20	15
4. Readings and revisions	70	52
Total	136	100

Alignment Among Course Intended Learning Outcome and Teaching and Learning Activities:

Learning Outcome	Teaching and learning activity (TLA)
CILO1	TLA1, TLA2, TLA3, TLA4
CILO2	TLA1, TLA2, TLA3, TLA4
CILO3	TLA1, TLA2, TLA3, TLA4

CILO4	TLA1, TLA2, TLA3, TLA4
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Assessment Methods	Brief Description (Optional)	Weight	Aligned Course Learning Outcomes
A1. Homework		20%	CLO1-4
A2. Test		20%	CLO1-4
A3. Examination		60%	CLO1-4

Standards of Assessment:

Grade	Grade Definition	Description
A+, A, A-	High distinction	Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
B+, B, B-	Distinction	Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
C+, C, C-	Credit pass	Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning such as describe and apply but not at high levels of learning such as evaluate and synthesis
D	Pass	Evidence of basic familiarity with the subject.
F	Fail	Little evidence of basic familiarity with the subject.

Assessment Rubrics for Homework, Midterm Exam, and Final Exam are the same as in course grade descriptors.

Topics (tentative schedules)

Readings

1. Review of basic concepts and national income accounting (1.5 lectures) chapters 1, 2
2. Basic ingredients of macroeconomic theory (3 lectures)
 - a. labor market equilibrium and full-employment output chapter 3
 - b. consumption, saving, and investment chapter 4
 - c. the asset market, money and prices chapter 7
3. Long-run economic growth (1.5 lectures)
 - a. the Solow growth model and its implications chapter 6
4. Business cycles (5 lectures)
 - a. business cycle facts chapter 8
 - b. the IS-LM/AD-AS model chapter 9

- c. classical business cycle theory chapter 10
 - d. Keynesian business cycle theory chapter 11
5. International Economy (1 lecture)
- a. Saving and Investment in the Open Economy chapter 5

Academic Conduct:

The University Regulations on academic dishonesty - behaviors in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another will be strictly enforced. The Board of Examiners may impose a penalty in relation to the seriousness of the offence and may report the candidate to the Senate, where there is *prima facie* evidence of an intention to deceive and where sanctions beyond those imposed by the BoE might be invoked.