

**ECO3209 The Hong Kong Economy**  
**Lingnan University**  
**Term 2, 2017-2018**



Instructor: Professor Alex Wong  
Office: WYL220  
Office hours: Monday 3:30pm to 4:30pm  
Wednesday 3pm to 6pm  
Email: [wongholun@ln.edu.hk](mailto:wongholun@ln.edu.hk)  
Lecture: Wednesday 10:30am to 12:20pm at WYL106  
Tutorial: Monday 10:30am to 11:20am at LKK110; or  
Thursday 4:30pm to 5:20pm at LKK306

### **Prerequisites**

Students need a good understanding of basic economic principles to do well in this course. Therefore, students need to have fulfilled one of the following prerequisites:

- (a) ECO2101 Introduction to Economics; or
- (b) BUS2105 Microeconomics for Business; or
- (c) Level 3 or above in HKDSE Economics

Students who want to review basic economic principles can pick up the following textbook.

Mankiw, N. Gregory. 2012. *Essentials of Economics*, 6th edition. South-Western Cengage Learning.

### **Course Overview**

Hong Kong presents a successful story of long-term economic growth. Some 150 years ago Hong Kong was described as a “barren rock with hardly a house upon it.” Now Hong Kong is densely populated and is one of the world’s major international financial centers. The per capita GDP of Hong Kong compares well with those of many other developed economies. Milton Friedman, the 1976 Nobel Laureate in Economics, once said that “If you want to see capitalism in action, go to Hong Kong.” So what factors contribute to Hong Kong’s long-term economic growth? How and how well does capitalism work in Hong Kong? What have been the role of the market and the role of the government in this city? What economic and social issues Hong Kong is now facing and what policies can help Hong Kong better deal with these issues?

## **Aims**

This course aims to equip students with the knowledge of both the historical development of the Hong Kong economy and the current challenges that it faces. It also intends to teach students to apply basic economic theories to conduct the real world analysis of the Hong Kong economy.

## **Learning Outcomes (LO)**

Upon completion of this course, students are expected to be able to

1. understand the major issues, challenges, opportunities and the relevant policies and institutions of the Hong Kong economy;
2. analyze the issues, challenges, opportunities and the relevant policies and institutions of the Hong Kong economy using basic economic principles;
3. articulate ideas about these issues, challenges, opportunities, policies and institutions of the Hong Kong economy.

## **Teaching Methods**

There will be a two-hour lecture plus a one-hour tutorial per week. The two-hour lectures focus on discussing basic concepts and theories underlying major economic issues and policies in Hong Kong. Tutorials take the form of student presentations and discussions.

## **Measurement of Learning Outcomes**

Learning outcomes are measured by:

1. Lectures and tutorials provide students opportunities to actively participate in class discussion and demonstrate their analytical and articulation skills (LO 1, 2 and 3).
2. Group presentation allows students to conduct collaborative research, analyze Hong Kong's economic and social issues with basic economic principles, and articulate their ideas on Hong Kong's economy (LO 1, 2 and 3).
3. Midterm and final exams let students show how well they master the course materials in the middle and at the end of the semester (LOs 1 and 2).

## Assessment

Continuous assessment		60%
Attendance in lectures and tutorials	(see below)	
Participation in lectures and tutorials	10%	
Group presentation	20%	
Midterm exam	30%	
Final exam		40%

Students are fully responsible for taking the midterm and final exams as scheduled. Students who miss an exam and fail to provide valid reason and documentation in the following day will be given a zero mark for the exam.

## Good Practices

1. Each presentation group is required to meet the instructor/tutor and hand in the outline for discussion before the presentation.
2. All necessary course materials and readings are uploaded at the course web site. Students are expected to read the lecture notes beforehand and being well prepared for classes and presentations.
3. Group presentation provides a good chance to lift up the English proficiency of the students. They are expected to present their research findings in English fluently and confidently. Students are encouraged to form presentation groups with exchange students so that they are exposed to different cultural background and knowledge structures from different regions and countries.
4. The instructor will give immediate comments and suggestions for further improvements to tutorial presentations to students. Students have full interactions with the instructor and their peers about the feedbacks and suggestions in tutorial sessions and also during office hours provided by the instructor.

## **Attendance in Lectures and Tutorials**

According to the Academic Regulations for Undergraduate Program of the University, students should attend all lectures, tutorials and other class activities assigned by the instructor. Students are also expected to attend classes and other class activities punctually, regularly, and to the satisfaction of the instructor.

In this course, attendance in both lectures and tutorials will be checked. After the add-drop period, each student will be given a maximum of four non-accountable allowances of absence for all class meetings in the semester. Unless supported by valid reason and documentation, each additional absence will result in a one-percentage-point (1%) reduction in the total course point. Attendance with serious participation issues (e.g., sleeping, non-stop chatting, showing up very late, using mobile phone disrespectfully and doing work of other courses) will also be penalized.

## **Group Presentation**

Students need to do one group presentation in the tutorial. Students should form groups among themselves. Unless exceptions granted, each presentation group should consist of two to three students and no presentation group can comprise of only non-local/exchange students. The presentation should consist of a 30-minute presentation per se and a 10-minute discussion session. At the end of the 30-minute presentation, presenters should answer questions that the class may have and initiate further discussion. The presentation and the discussion should be engaging, informative and interactive. They should also be well-prepared, well-structured, intellectually interesting and academically rigorous. While students can prepare scripts or slides as aids, students should not just read.

Each presentation group is free to choose a topic within the scope of the course. Economic analysis and discussion are central to the presentation because this is an economics course. Presentation topics need to be approved by the instructor and no topic can be chosen by more than one group in each tutorial session. In the first tutorial, there will be a topic brainstorming exercise. In the second tutorial, each group needs to submit four different preferred presentation topics and topics will be assigned to all groups randomly. Presentation schedules will also be randomly assigned.

## Indicative Content of Lectures and Tutorials

*Content and schedule are subject to change.*

	<b>Lecture (Wednesday)</b>	<b>Tutorial (Thursday/Monday)</b>
0		Jan 18/22: No tutorial (Before lecture)
1	Jan 24: Introduction: What's special about Hong Kong's economy?	Jan 25/29: Brainstorm presentation topics and form presentation groups
2	Jan 31: Opium Trade, the Treaty of Nanjing and Hong Kong as China's Entrepôt	Feb 1/5: Confirm presentation topics and schedules
3	Feb 7: China's market reform and Hong Kong's economic restructuring	Feb 8/12: No tutorial
4	Feb 14: Hong Kong's public finance system: Small is beautiful?	Feb 15/19: No tutorial (Holiday)
5	Feb 21: No lecture (Holiday)	Feb 22/26: Group presentation 1
6	Feb 28: No lecture (Sports Day)	Mar 1/5: Group presentation 2
7	Mar 7: Hong Kong's exchange rate system: To fix or not to fix?	Mar 8/12: Group presentation 3
8	Mar 14: Will Hong Kong remain as China's main international financial center?	Mar 15/19: Group presentation 4
9	Mar 21: Midterm exam	Mar 22/26: No tutorial (Midterm week)
10	Mar 28: Population, labor force, and employment: Why work and why not?	Mar 29: Group presentation 5 Apr 2: No tutorial (Holiday)
11	Apr 4: Hong Kong's labor market: Flexibility or regulation?	Apr 5: No tutorial (Holiday) Apr 9: Group presentation 5
12	Apr 11: Is Hong Kong becoming increasingly unequal? A careful examination	Apr 12/16: Group presentation 6
13	Apr 18: Poverty in Hong Kong: How to measure it and what are the impacts of transfers?	Apr 19/23: Group presentation 7
14	Apr 25: Hong Kong's social welfare system: How to do it right?	Apr 26/30: Group presentation 8

## References and Readings

There is no required textbook. Below include supplementary references and other required readings.

### *Supplementary References*

- Chen, E.K.Y., Nyaw, M.K. and Wong, T.Y.C. (eds). 1991. *Industrial and Trade Development in Hong Kong*. Hong Kong: Centre of Asian Studies, University of Hong Kong.
- Enright, M.J., Scott, E.E. and D.Dodwell. 1997. *The Hong Kong Advantage*. Hong Kong: Oxford University Press.
- Ho, H.C.Y. and L.C. Chau. (eds). 1996. *The Hong Kong Economy in Transition*. Hong Kong: Asian Research Service.
- Lok, Y. F. 1995. *Hong Kong's Economic and Financial Future*. Hong Kong: Significant Series Issues.
- Mole, D. (eds). 1996. *Managing the new Hong Kong economy*. Hong Kong: Oxford University Press.
- Suen, W. and Chan, W. 1997. *Labour Market in a Dynamic Economy*. Hong Kong Economic Policy Studies series, Hong Kong: City University of Hong Kong.
- Wong, S.L. and Maruya, T. 1998. *Hong Kong Economy and Society: Challenges in the New Era*. Hong Kong: Centre of Asian Studies, the University of Hong Kong.

### *Blogs by Hong Kong economists*

- 經濟3.0 (Chinese) <https://www.facebook.com/economics3.0>
- 王于漸中港政經評論 (Chinese) <http://cwmgroup.hk.blogspot.hk>
- (English) <http://www.wangyujian.com>
- 雷鼎鳴用經濟學做眼睛 (Chinese) <http://www.wangyujian.com/?lang=en>
- <http://francis-lui.blogspot.hk>

### *Sources of news*

- The Economist on Hong Kong <http://www.economist.com/topics/hong-kong>
- South China Morning Post <http://www.scmp.com>
- Hong Kong Economic Journal 信報 (Chinese) <http://www.hkej.com>
- Hong Kong Economic Times 香港經濟日報 (Chinese) <http://www.hket.com>

### *Government policies, statistics, and research reports*

- Hong Kong Yearbook <http://www.yearbook.gov.hk>
- Hong Kong Economy <http://www.hkeconomy.gov.hk>
- Hong Kong Census <http://www.bycensus2016.gov.hk/en/>
- Census and Statistics Department <http://www.censtatd.gov.hk>
- Policy Address by the Chief Executive <http://www.policyaddress.gov.hk>
- Budget by the Financial Secretary <http://www.budget.gov.hk>
- Hong Kong Monetary Authority <http://www.hkma.gov.hk>
- International Monetary Fund on Hong Kong <http://www.imf.org/external/country/HKG>

## *Required readings*

### **Lecture 1     What's special about Hong Kong's economy?**

Heritage Foundation. Index of Economic Freedom.  
<http://www.heritage.org/index>

Cato Institute. Economic Freedom of the World.  
<http://www.cato.org/economic-freedom-world>

### **Lecture 2     Opium Trade, the Treaty of Nanjing and Hong Kong as China's Entrepôt**

Public Broadcasting Service. 1980. Free to Choose.  
<http://www.freetochoose.tv/broadcast.php?series=ftc80>

### **Lecture 3     China's market reform and Hong Kong's economic restructuring**

Census and Statistics Department. The Four Key Industries and Other Selected Industries in the Hong Kong Economy.  
<http://www.censtatd.gov.hk/hkstat/sub/sp80.jsp?productCode=FA100099>

Task Force on Economic Challenges. 2009. Summary of the Focus Group Discussions on the Six Economic Areas  
[http://www.fso.gov.hk/tfec/eng/doc/Summary%20focus%20groups%20TFEC-INFO-12 %20 Eng .pdf](http://www.fso.gov.hk/tfec/eng/doc/Summary%20focus%20groups%20TFEC-INFO-12%20Eng.pdf)

Task Force on Economic Challenges. 2009. Recommendations from the Task Force on Economic Challenges for promoting the development of the six economic areas  
[http://www.fso.gov.hk/tfec/eng/doc/TFEC%20-%20final%20Recommendations%20TFEC-INFO-13 %20 Eng .pdf](http://www.fso.gov.hk/tfec/eng/doc/TFEC%20-%20final%20Recommendations%20TFEC-INFO-13%20Eng.pdf)

### **Lecture 4     Hong Kong's public finance system: Small is beautiful?**

Financial Services and the Treasury Bureau. 2007. Public Consultation on Tax Reform Final Report.  
<http://www.taxreform.gov.hk/eng/pdf/finalreport.pdf>

Financial Services and the Treasury Bureau. 2007. Brief of Other Options for Broadening the Tax Base.  
[http://www.taxreform.gov.hk/eng/pdf/Other\\_options.pdf](http://www.taxreform.gov.hk/eng/pdf/Other_options.pdf)

### **Lecture 5     Hong Kong's exchange rate system: To fix or not to fix?**

HKMA. 2011. Hong Kong's Linked Exchange Rate System (Second edition). HKMA Background Brief No. 1.  
[http://www.hkma.gov.hk/media/eng/publication-and-research/background-briefs/hkmalin/full\\_e.pdf](http://www.hkma.gov.hk/media/eng/publication-and-research/background-briefs/hkmalin/full_e.pdf)

Joseph Yam. 2012. The Future of the Monetary System of Hong Kong. Institute of Global Economics and Finance Working Paper No.9.  
[http://www.igef.cuhk.edu.hk/igef\\_media/working-paper/IGEF/igef\\_working\\_paper\\_no\\_9\\_eng.pdf](http://www.igef.cuhk.edu.hk/igef_media/working-paper/IGEF/igef_working_paper_no_9_eng.pdf)

**Lecture 6 Will Hong Kong remain as China's main international financial center?**

Hong Kong: The Premier Offshore Renminbi Business Center  
<http://www.hkma.gov.hk/media/eng/doc/key-functions/monetary-stability/rmb-business-in-hong-kong/hkma-rmb-booklet.pdf>

**Lecture 7 Population, labor force, and employment: Why work and why not?**

Secretariat of the Steering Committee on Population Policy. 2013. Public Engagement Exercise on Population Policy. Full Consultation Document.  
[http://www.hkpopulation.gov.hk/public\\_engagement/pdf/PEEPP\\_eng\\_lowres.pdf](http://www.hkpopulation.gov.hk/public_engagement/pdf/PEEPP_eng_lowres.pdf)

**Lecture 8 Hong Kong's labor market: Flexibility or regulation?**

Labor Department. 2012. Policy Study on Standard Working Hours – An Overview.  
[http://www.labour.gov.hk/eng/plan/pdf/swh/swh\\_overview.pdf](http://www.labour.gov.hk/eng/plan/pdf/swh/swh_overview.pdf)

Labor Department. 2012. Report of the Policy Study on Standard Working Hours.  
[http://www.labour.gov.hk/eng/plan/pdf/swh/swh\\_report.pdf](http://www.labour.gov.hk/eng/plan/pdf/swh/swh_report.pdf)

Minimum Wage Commission. 2012 Report of the Minimum Wage Commission.  
[http://www.mwc.org.hk/en/downloadable\\_materials/2012MWCReport-Eng.pdf](http://www.mwc.org.hk/en/downloadable_materials/2012MWCReport-Eng.pdf)

**Lecture 9 Is Hong Kong becoming increasingly unequal? A careful examination**

Hong Kong Government. 2015. Hong Kong's Gini coefficient compared with other economies.  
[http://www.hkeconomy.gov.hk/en/pdf/gini\\_comparison.pdf](http://www.hkeconomy.gov.hk/en/pdf/gini_comparison.pdf)

**Lecture 10 Poverty in Hong Kong: How to measure it and what are the impacts of transfers?**

Financial Secretary's Office and Census and Statistics Department. 2015. Hong Kong Poverty Situation Report 2015.  
[https://www.povertyrelief.gov.hk/pdf/poverty\\_report\\_2015\\_e.pdf](https://www.povertyrelief.gov.hk/pdf/poverty_report_2015_e.pdf)

**Lecture 11 Hong Kong's social welfare system: How to do it right?**

To be assigned.



**Important Notes:**

- (1) Students are expected to spend a total of 6 hours (i.e. 3 hours of class contact and 6 hours of personal study) per week to achieve the course learning outcomes.
- (2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is “the presentation of another person’s work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student’s own work”. Students are required to strictly follow university regulations governing academic integrity and honesty.
- (3) Students are required to submit writing assignment(s) using Turnitin.
- (4) To enhance students’ understanding of plagiarism, a mini-course “Online Tutorial on Plagiarism Awareness” is available on <https://pla.ln.edu.hk/>.

**Grading Rubrics for ECO3209 Class Participation and Discussion**

<b>Criteria</b>	<b>Excellent A or A-</b>	<b>Good B+, B or B-</b>	<b>Acceptable C+, C or C-</b>	<b>Poor D+ or below</b>
<b>Class attendance and participation</b>	Class attendance is regular and the student speaks up regularly and enthusiastically	Class attendance is regular and the student speaks up now and then	Class attendance is quite regular but the student participates only when asked by the instructor	Class attendance is erratic and participation is nil or almost nil
<b>Articulateness</b>	Expression of ideas or opinions were consistently factually accurate, logical and clear	Expression of ideas or opinions were generally factually accurate, logical and clear. Lapses were rare and minor in nature.	Expression of ideas or opinions were generally factually accurate, logical and clear, but with a number of minor lapses	Ideas or opinions were not expressed logically, and were characterized by significant factual inaccuracies and lack of clarity

## Grading Rubrics for ECO3209 Group Presentation

	Assessment Criteria	Exceeds Expectations/ Outstanding	Meets Expectations/ Acceptable	Need Improvement	Scores
<b>Content</b>	<b>Conceptual understanding of subject matter</b>	<ul style="list-style-type: none"> <li>Covers a good range of relevant concepts/theories</li> <li>Important ideas pertinent to the topic are skillfully applied</li> </ul>	<ul style="list-style-type: none"> <li>Concepts/theories and important ideas pertinent to the topic are accurately used</li> </ul>	<ul style="list-style-type: none"> <li>Concepts/theories and important ideas pertinent to the topic are not accurately used</li> </ul>	/3
	<b>Analysis of Issues</b>	<ul style="list-style-type: none"> <li>Thoroughly interprets and evaluates the information</li> <li>Comprehensively analyzes and synthesizes the issues from multiple perspectives with original thinking</li> </ul>	<ul style="list-style-type: none"> <li>Information with some interpretation/evaluation</li> <li>Basic analysis or synthesis from two perspectives with some original consideration</li> </ul>	<ul style="list-style-type: none"> <li>Lists information without interpretation/evaluation</li> <li>Superficially analyzes or synthesizes the issue</li> <li>Single perspective is discussed</li> </ul>	/3
	<b>Integration of sources and evidence</b>	<ul style="list-style-type: none"> <li>Empirical evidence or information (explanations, examples, illustrations, statistics, analogies, quotations from relevant authorities) is highly relevant, accurate and completed</li> <li>Sources are cited and used correctly</li> </ul>	<ul style="list-style-type: none"> <li>Empirical evidence or information (explanations, examples, illustrations, statistics, analogies, quotations from relevant authorities) is generally relevant and adequate to support the topic</li> <li>Sources are cited and used correctly with minor errors</li> </ul>	<ul style="list-style-type: none"> <li>Much of information included is not relevant and inadequate to support the topic</li> <li>Some information is inaccurate or unverifiable</li> <li>No citing of sources or incorrectly cites the sources</li> </ul>	/3
	<b>Responses to questions</b>	<ul style="list-style-type: none"> <li>Responds appropriately to all questions, with answers that demonstrate knowledge and understanding</li> </ul>	<ul style="list-style-type: none"> <li>Responds appropriately to the questions, with answers that demonstrate some knowledge and understanding</li> </ul>	<ul style="list-style-type: none"> <li>Is not able to respond the spot questions</li> </ul>	/3
<b>Organization</b>	<b>Transitions &amp; Flow</b>	<ul style="list-style-type: none"> <li>The presentation produces coherent understanding</li> </ul>	<ul style="list-style-type: none"> <li>Fair coherent understanding is demonstrated</li> </ul>	<ul style="list-style-type: none"> <li>Coherent understanding by the listener is not obtained</li> </ul>	/2
<b>Presentation Skills</b>	<b>Uses good body language, eye contact, appropriate voice tone</b>	<ul style="list-style-type: none"> <li>Makes good eye contact with audience</li> <li>Shows enthusiasm and confidence</li> <li>Uses voice tone effectively</li> </ul>	<ul style="list-style-type: none"> <li>Makes fairly good eye contact with audience</li> <li>Shows some enthusiasm and confidence</li> <li>Uses voice tone relatively effectively</li> </ul>	<ul style="list-style-type: none"> <li>Makes little or no eye contact with audience</li> <li>Shows little or no enthusiasm and confidence</li> <li>Uses voice tone ineffectively or too monotone</li> </ul>	/2
	<b>Appropriate time allocation and pace</b>	<ul style="list-style-type: none"> <li>Allocates time appropriately and manages time effectively</li> <li>Appropriate pace</li> </ul>	<ul style="list-style-type: none"> <li>Marginally long or marginally short but uses time reasonably effectively</li> <li>Reasonable pace</li> </ul>	<ul style="list-style-type: none"> <li>Significantly too short or too long and does not use time effectively</li> <li>Pace is significantly too fast or too slow</li> </ul>	/2
	<b>Makes effective use of presentation tools (e.g., slides, handouts)</b>	<ul style="list-style-type: none"> <li>Proper use of presentation tools with little or no distractions (e.g. appropriate animation/pictures, appropriate information on one slide, clear titles, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Generally good use of presentation tools</li> <li>Some distractions but they are not overwhelming (e.g. reasonable animation/pictures, fair information on one slide, fair titles, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Poor use of presentation tools and/or many distractions (e.g. too much animation/pictures, too much information on one slide, absence of titles, etc.)</li> </ul>	/2
<b>General Comments:</b>				<b>Total Scores</b>	/20

### Grading Rubric for ECO3209 Midterm and Final Examinations

<b>Learning outcomes</b>	<b>Excellent A or A-</b>	<b>Good B+, B or B-</b>	<b>Acceptable C+, C or C-</b>	<b>Poor D+ or below</b>
<b>Understand the major issues, challenges, opportunities and the relevant policies and institutions of the Hong Kong economy</b>	Able to demonstrate a thorough understanding of the different aspects about the Hong Kong Economy, the role of the market and the role of the government	Able to demonstrate a good understanding of the different aspects about the Hong Kong Economy, the role of the market and the role of the government	Able to demonstrate a basic understanding of the different aspects about the Hong Kong Economy, the role of the market and the role of the government	Unable to demonstrate any understanding of the Hong Kong Economy, the role of the market and the role of the government
<b>Analyze the issues, challenges, opportunities and the relevant policies and institutions of the Hong Kong economy using basic economic principles</b>	Able to conduct a thorough analysis of the issues, challenges, opportunities and the relevant policies and institutions of the Hong Kong economy using basic economic principles	Able to conduct a good analysis of the issues, challenges, opportunities and the relevant policies and institutions of the Hong Kong economy using basic economic principles	Able to conduct a basic analysis of the issues, challenges, opportunities and the relevant policies and institutions of the Hong Kong economy using basic economic principles	Unable to conduct any analysis of the issues, challenges, opportunities and the relevant policies and institutions of the Hong Kong economy using basic economic principles
<b>Articulate ideas about the issues, challenges, opportunities, policies and institutions of the Hong Kong economy</b>	Able to clearly articulate ideas about the issues, challenges, opportunities, policies and institutions of the Hong Kong economy	Able to satisfactorily articulate ideas about the issues, challenges, opportunities, policies and institutions of the Hong Kong economy	Able to articulate in a limited way ideas about the issues, challenges, opportunities, policies and institutions of the Hong Kong economy	Unable to articulate ideas about the issues, challenges, opportunities, policies and institutions of the Hong Kong economy