

**REGULATIONS FOR THE DEGREE OF  
MASTER OF ECONOMICS  
(MEcon)**

*These Regulations apply to students admitted to the Master of Economics in the academic year 2009-2010 and thereafter.*

*(See also General Regulations)*

Any publication based on work approved for a higher degree should contain a reference to the effect that the work was submitted to The University of Hong Kong for the award of the degree.

The degree of Master of Economics is a postgraduate degree awarded for the satisfactory completion of a prescribed course of study in economics with emphasis on the analysis of real world economic problems.

**Admission requirements**

**ME 1.** To be eligible for admission to the courses leading to the degree of Master of Economics, candidates shall

- (a) comply with the General Regulations;
- (b) hold
  - (i) a Bachelor's degree with honours of this University; *or*
  - (ii) another qualification of equivalent standard from this University or from another University or comparable institution accepted for this purpose; and
- (c) satisfy the examiners in a qualifying examination, if required.

**Qualifying examination**

**ME 2.**

- (a) A qualifying examination may be set to test the candidates' formal academic ability or their ability to follow the courses of study prescribed. It shall consist of one or more written papers or their equivalent, and may include a project report.
- (b) Candidates who are required to satisfy the examiners in a qualifying examination shall not be permitted to register until they have satisfied the examiners in the examination.

**Award of degree**

**ME 3.** To be eligible for the award of the degree of Master of Economics, candidates shall

- (a) comply with the General Regulations; and
- (b) complete the curriculum and satisfy the examiners in accordance with the regulations set out below.

**Length of curriculum**

**ME 4.** The curriculum shall extend over a minimum of two academic years and a maximum of four academic years of part-time study, or a minimum of one academic year and a maximum of two academic years of full-time study.

### **Completion of curriculum**

- ME 5.** To complete the curriculum, candidates shall
- (a) follow the courses of instruction and complete satisfactorily all prescribed written work and field work;
  - (b) satisfy the examiners in all prescribed courses as specified in the syllabuses and in any prescribed form of examination; and
  - (c) if appropriate, complete and present a satisfactory project paper in lieu of one written paper in the examination, or complete and present a satisfactory dissertation in lieu of two papers in the examination, if such options are provided.
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### **Title of dissertation**

**ME 6.** Subject to the provisions of Regulation ME 5 (c), candidates shall submit the titles and outlines of their dissertation for approval by the Programme Director within the first two weeks of the final academic year, and the dissertation shall be presented by a date prescribed in the syllabuses. Candidates shall submit a statement that the dissertation represents their own work undertaken after registration in the course.

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### **Examinations**

**ME 7.** Candidates shall satisfy the examiners in all the prescribed courses as specified in the syllabuses. Examinations shall normally be held at the end of each course, unless otherwise specified.

**ME 8.** Candidates who have failed a course shall be required to sit for re-examination or to retake the course. If the failure is an elective course, candidates may elect to take another course as a substitute.

**ME 9.** Subject to the provisions of Regulation ME 5 (c), candidates who have failed to present a satisfactory project paper or dissertation may be permitted to submit a new or revised project paper or dissertation within a specified period.

**ME 10.** Candidates who are unable because of illness to be present for one or more papers in any written examination may apply for permission to present themselves at a supplementary examination to be held before the beginning of the following academic year. Any such applications shall be made on the form prescribed within two weeks of the first day of the candidates' absence from the examination.

**ME 11.** Candidates who have failed a total of more than two examinations or re-examinations during the entire period of study of the curriculum or who are not permitted to submit a new or revised dissertation shall be recommended for discontinuation under the provisions of General Regulations G12.

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### **Examination results**

**ME 12.** At the conclusion of the examination, and after presentation of the dissertation if applicable, a pass list shall be published. Candidates who have shown exceptional merit at the completion of the curriculum may be awarded a mark of distinction, and this mark shall be recorded in the candidates' degree diploma.

## **SYLLABUSES FOR THE DEGREE OF MASTER OF ECONOMICS**

*These syllabuses apply to all students admitted to the Master of Economics.*

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### **PROGRAMME STRUCTURE**

Candidates must read two compulsory courses plus 6 elective courses. They may elect to submit a dissertation in lieu of two elective courses. A list of electives will be announced at the beginning of each semester. Up to two elective courses may be chosen from courses offered by the Master of Finance and the Master of Business Administration programmes, subject to availability and approval by the programme directors concerned.

For candidates admitted in the academic year 2003-2004 and thereafter, the two compulsory courses are ECON6021 and ECON6022. Candidates with a strong undergraduate training in economics and mathematics may take ECON6011 and ECON6012 in lieu of ECON6021 and ECON6022, respectively, under the advice and approval of the Programme Director. For candidates admitted before the academic year 2003-2004, the two compulsory courses are ECON6011 and ECON6012.

Courses are offered under a modular structure which are offered either on a half or full module basis. Not all the courses listed in the syllabuses will necessarily be offered each year.

### **COURSES**

#### **ECON6021    Microeconomic Analysis**

This course provides an advanced treatment of standard tools and frameworks in microeconomics that are used in other courses of the programme. Topics include: constrained and unconstrained optimization, consumer theory, uncertainty and information, cost and production, and market structure and equilibrium.

*Note:* This course is not open to students who have taken or are taking ECON6011.

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#### **ECON6022    Macroeconomic Analysis**

This course is an advanced treatment of the theory of the determination of national income and aggregate economic behaviour. Topics include: national income accounting, employment theory, inflation and deflation, monetary and fiscal policy for economic stabilization, economic growth, and international economic issues. Applications to contemporary economic issues are emphasized.

*Note:* This course is not open to students who have taken or are taking ECON6012.

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#### **ECON6011    Microeconomic Theory**

This course covers how consumers and producers make choices and how these choices are equilibrated by the market. In the part on choice theory, utility maximization and profit maximization problems together with corresponding dual problems are considered. Optimal value functions are studied and used to perform comparative static analysis. Restrictions imposed by optimization on consumer and producer behaviour are discussed. Choices under uncertainty are also investigated. The second part mainly covers the equilibrium in perfectly competitive markets and the two fundamental welfare theorems. It will also discuss the consequences of market failures, including public goods, externalities, and market power. Game theory will also be introduced.

**ECON6012    Macroeconomic Theory**

This course covers neo-classical macroeconomics, the Keynesian model and its problems, the consumption function and investment and economic fluctuations, supply and demand of money, the counter-revolution in monetary theory, inflation and unemployment and alternative policies for dealing with them, and open economy macroeconomics.

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**ECON6001    Applied Econometrics**

This course examines how practical problems can be solved by using econometric methods. The emphasis is on the analysis of real world economic data using advanced statistical software. Topics include: estimation and testing of linear regression models, regression diagnostics, robust estimation, bootstrap, panel data, nonlinear least squares, discrete choice models and forecasting methods.

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**ECON6005    Econometric Theory I**

This course is an introduction to econometric theory and applications at an advanced level. Students are expected to be proficient in calculus, matrix algebra, and econometrics at the undergraduate level. Potential topics to be discussed include the classical linear model, generalized method of moments, and multiple equation models.

*Note:* Students may be required to pass a mathematics test in order to take the course.

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**ECON6006    Economics of Organization and Strategy**

The organization component of this course discusses different theories of the firm, including the property rights approach and the incomplete contracting model. It forms the basic framework that is used to understand how various decisions are made within a firm. The incomplete contracting model can be further extended to study financial decisions such as capital structure, bankruptcy, and corporate voting. The strategy component uses game theory to understand how firms formulate strategies to cope with different competitive forces. Cases are used to illustrate how these strategies work. Examples include the meet-the-competition and most-favored-customer contractual clauses.

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**ECON6007    Industrial Organization**

This course covers alternative forms of economic organizations, including the contractual nature of the firm, the meaning of monopoly and patent rights, the extraction of consumer surplus, and the purpose of integration and franchise arrangements. Government regulations will be discussed whenever appropriate.

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**ECON6008    International Macroeconomics**

This course examines how openness in the form of commodity trade and factor (especially capital) mobility affects long-run growth and short-run fluctuations, as well as the effects of macroeconomic policies, across countries. Topics include: international income convergence; international business cycles; international policy coordination; exchange rate and balance of payments dynamics; currency and other financial crises; and puzzles in international financial markets.

**ECON6009 Labour Economics**

This course examines the operation of labour markets. The analytical approach is largely based on microeconomic theory. Attention is also given to issues involved in drawing inference from labour market data. Topics include: the theory and estimation of labour demand and supply, the selection problem, the structure of wages, the choice of labour contracts, investment in human capital, immigration and emigration, worker turnover and labour market frictions, labour market discrimination, and unemployment.

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**ECON6010 Monetary Policy: Theory and Practice**

This course traces the evolution of central banks over the last 200 years from primitive financial clearing-houses to promoters of macroeconomic stability and growth as a natural progression as policy-makers sought to combat various challenges to macroeconomic stability, such as inflation and systemic financial risk. The course will discuss different monetary policy regimes, including currency boards and inflation targeting, and the inherent trade-offs between them, focusing especially on the importance of credibility and expectations. Optimal monetary policy design and the monetary transmission mechanism will also be covered.

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**ECON6014 Trade, Investment and Development in East Asia**

This course examines various current topics and economic development problems facing East Asian economies. This course is mainly empirical. The economies we consider include China, Hong Kong, Taiwan, South Korea, Japan, Singapore and selective members of the ASEAN. The topics to be covered will vary and be updated from year to year. Some of the main current economic issues include the competitiveness of East Asian economies, proposals for free trade areas, foreign direct investment and the economic strategy of multinational corporations, sources of past and future economic growth in East Asia, industry structure, technology policies, the Asian financial crisis, banking problems and exchange rate regimes.

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**ECON6015 Public Economics**

This course covers the positive and normative analyses of the public sector in relation to efficiency and equity. It provides a better understanding of the making of public policy under asymmetric information and limited commitment, and the role of incentives in public administration. Topics include: market failure, welfare criteria, public goods and externalities, social choice and voting, income distribution, public pricing and investment, cost-benefit analysis and project appraisal, and the regulation of public enterprises.

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**ECON6017 Financial Economics**

This course is a survey of capital and investment theories which are the basis of the analysis of finance. Topics include: Fisher's separation theorem, investment theory and some investment econometrics, expected utility theory, portfolio selection, and other applications, intertemporal models with uncertainty and transaction costs.

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**ECON6031 The Chinese Economy**

This course reviews the economic transformation of the People's Republic of China and its implications. China's experiences are subjected to theoretical and empirical analysis by using modern

economic methods. The course covers structural and institutional changes as well as current debates on reform and policy. Topics include: history, geography, population, rural reform, industrialization, urbanization, enterprise reform, foreign trade and investment, financial system, and regional development.

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### **ECON6032 International Trade and Finance**

The first part of the course covers the pure theory of international trade. Topics include: strategic trade theories and trade policies, comparative advantage, factor-price equalization, gains from trade, tariff and quota, factor mobility, and multi-lateral trade agreements. The second part of the course covers the theory of international finance. Topics include: the balance of payments, exchange rate regimes, currency crises, and the international capital market.

*Note:* This course is not open to students who have taken ECON6008.

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### **ECON6033 Corporate Finance**

This course focuses on financial decisions in the modern corporation. Topics include: capital budgeting, cost of capital, capital structure, dividend policy, public offerings, and incentives and contracting problems. There will also be some treatment of mergers and acquisitions, and corporate governance. The objective of the course is to integrate these various topics into standard theories of risk and return and the valuation of assets in order to provide a theoretical framework for considering corporate finance problems and issues, with an understanding of how it applies to the real world.

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### **ECON6034 Competition, Regulation and Business Strategy**

Governments regulate markets to varying degrees. This course studies the economics of competition, monopolies and cartels, theories of regulation, regulation and taxation, and rent-seeking behaviour. These concepts are used to understand how business strategy in regulated markets differs from that in competitive markets. Selected case materials based on contemporary local examples from banking, container terminals, electricity and gas, transportation, telecommunications, air services, housing and property, and the gaming industry will also be used in classroom discussions.

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### **ECON6035 Political Economy of Economic Policy**

This course studies the relationship between the state and the market economy, especially highlighting the costs and benefits of economic policy interventions. Topics include: the economic value of the rule of law, property rights and institutional change, promoting competition and regulating markets, rules versus discretion in monetary, fiscal and exchange rate policy, and regionalism versus federalism. Selected case materials based on historical and contemporary examples will be used in classroom discussions, including international examples with emphasis on Hong Kong, China and Asia.

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### **ECON6036 Game Theory and Applications**

This course covers game theory and its applications to various fields of economics. It studies static games with complete information, dynamic games with complete information, static games with incomplete information, dynamic games with incomplete information, and the equilibrium concepts corresponding to these games. It considers applications of these concepts to the study of industrial organization, international trade, labor economics, public economics, corporate finance, and monetary economics. Applications to auction and bargaining are also considered. Finally, it offers an introduction to mechanism design and its application to the procurement problem.

**ECON6037 Economic Forecasting**

This course introduces basic techniques of forecasting, based on economic and structural time series models. ARIMA and regression models with trend, season, and cycle components will be considered. The hands-on experience in applying the techniques to real-world problems is emphasized. Topics include: basics of linear regression, modeling and forecasting trend and seasonality, basics of ARIMA models, forecasting cycles, forecasting with regression models, evaluating and combining forecasts, unit roots, stochastic trends, ARIMA models, and volatility models.

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**ECON6038 Health Economics**

This course provides an overview of how economics play a role in the health care sector. Emphasis will be placed on contrasting the viewpoints of free-market economists and public health practitioners. Among the topics we discuss are the unique features of health in economic modeling, the demand for health and health care, equity and efficiency issues, forms of health care financing, an overview of cost-effectiveness and cost-benefit analysis, and National Health Accounting. Examples are drawn from local and international contexts.

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**ECON6039 Project Evaluation**

This course covers the economic evaluation of projects from a public sector viewpoint using microeconomic tools. It explores the normative aspects of evaluating public projects and policies, the measurement of welfare change and public investment criteria. The concept of opportunity cost and benefit will be examined. Economic evaluation of government projects and Build-Operate-Transfer infrastructure projects will be discussed.

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**ECON6040 Transportation Economics**

This course covers the theory and practice of modern transport economics using microeconomic tools. It views the buyer of transport services – be it passenger or freight – as playing a dual consuming and producing role. Topics include widgets versus transport, transport costs (internal and external), travel demand and the value of travel time, regulation and competition, and the cost-benefit analysis of transport projects. Contemporary issues in transport will also be analyzed from a transport economics methodological and welfare economics approach.

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**ECON6041 Alternative Approaches to Economic Analysis**

In this course, we introduce and examine the principal ideas held by radical thinkers such as Marx, Velben, Commons, Robinson, and Sen in their critiques of capitalism and of neoclassical economics. The discourse is organized in the following topics: endogeneity of preferences, theories of wants and needs, theories of justice and fairness, macroeconomic instability of capitalism, socialism as an alternative to capitalism, and nationalism versus internationalism. The course emphasizes the use of modern analytic tools and will make use of, in particular, the recent progress in behavioral economics.

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**ECON6042 Mathematical Economics**

This course presents both static and dynamic general equilibrium based on optimization to study interrelated macroeconomic issues. In particular, Pontryagin optimal control theory and Bellman certainty and stochastic dynamic programming models will be covered. Such control theory and recursive multi-stage optimization methodology will be applied to important macro topics such as economic growth and employment.

**ECON6002 Selected Topics in Microeconomics**

This is a special course that deals with various topics of microeconomics. Topics covered may vary from year to year, depending on the research interests of the instructor.

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**ECON6052 Selected Topics in Macroeconomics**

This is a special course that deals with various topics of macroeconomics. Topics covered may vary from year to year, depending on the research interests of the instructor.

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**ECON6053 Selected Topics in Financial Economics**

This is a special course that deals with various topics of financial economics. Topics covered may vary from year to year, depending on the research interests of the instructor.

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**ECON6055 Selected Topics in Investments and Asset Pricing**

This course provides in-depth discussions on selected topics in investments, equilibrium and no arbitrage asset pricing theory. We will derive classic results on the mean-variance frontier, and asset pricing theory including the Capital Asset Pricing Model, Arbitrage Pricing Theory, Merton's continuous time model, the Black-Scholes option pricing models, and the Cox-Ingersoll-Ross term structure model. The objective of this course is to prepare students to read and appreciate research papers in academic journals and also provide a theoretical foundation to conduct advanced research in financial economics.

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**ECON6056 Econometric Theory II**

This course is a continuation of Econometric Theory I (ECON6005). Potential topics to be discussed include panel data, maximum likelihood estimation, nonlinear regression models, time series models, and cointegration. The course will examine both the theoretical properties of these estimators and their implementation with professional statistical software.

Prerequisite: ECON6005

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**ECON6057 China in the Global Economy**

This course will examine the progresses and challenges of China's rapid economic growth toward one of the largest economies in the world and its deepening integration into the global trade and financial systems. It will focus on China's interactions with the global economy and their domestic and international implications. The topics will include: Review of China's foreign trade and investment; reform, opening, growth and efficiency of China's domestic and external sectors and their impacts on the structure of China's balance of payments; China's currency and monetary policies and their impacts on the domestic and internal trade and finance; China's capital market reform and development and their domestic and international implications; China's role in maintaining international financial order.



**ECON8002    Dissertation (double course)**

The dissertation shall consist of original work written under staff supervision. Topics offered may vary from year to year, depending on the research interests of staff members. A satisfactory dissertation may be completed in lieu of two papers in the examination. Candidates shall submit the titles and outlines of their dissertations for approval by the Programme Director within the first two weeks of the final academic year. The dissertation, which should not exceed 30,000 words in length, shall be presented not later than August 31 of that academic year. An electronic version of the dissertation shall be deposited with the University Library.

*Note:* This course is available only to final year students.

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**ASSESSMENT**

Candidates shall normally be examined at the end of each course, unless otherwise specified. Examinations may include any combination of written assignments, project papers, written reports, or any other assignment which may be required as part of a course.