

SUBJECT MATTER

This course aims to provide a basic but comprehensive understanding of the salient aspects of the Hong Kong economy. The emphasis will be on both economic analysis and institutional arrangements of the major economic sectors and related policies. More attention will be given to topics of recent public concern.

After some preliminary discussion on national income accounting and historical development, the course will go on to the following topics: the monetary system and exchange rate regime, financial markets and institutions, public finance and fiscal policy, external trade and foreign investment, economic relations with the Mainland, the labour market, employment and income distribution, the property market and housing policy, regulation of public utilities and competition policy, industrial development and policy, etc. These are all important areas of study about the Hong Kong economy, but the extent of coverage of each will have to depend on the amount of time available. Some topics may even be skipped under the time constraint.

REQUIREMENTS

The overall course grade will depend on course work (50 percent) and the final examination (50 percent). Assessment of course work is based on a term paper or take-home test (40 percent) as well as preparation and participation in weekly tutorials (10 percent). Guidance on the term paper will be provided later. It should be noted that tutorials are an integral part of the course, and may cover materials related to the subject matter but not directly discussed in lectures.

COURSE MATERIALS

Given the nature of this course, there is no single appropriate textbook. Course materials scatter in books, journals, working papers, government publications, and websites. Students should find it a valuable learning experience to integrate readings from various sources. It will also be the attempt of lectures and tutorials to pull together different materials.

The readings listed below are not meant to be exhaustive, and not all items are equally important. Guidelines on the relevance and importance of each will be provided as the course goes on. Further readings will be added as new materials become available.

Brief lecture outlines will be provided to students before discussion. However, students should understand that these outlines are NOT meant to be a complete set of course notes. Course notes should be an output of the individual student's intellectual process through attending lectures, participating in tutorials, and reading course materials. Every student will have to take/prepare notes according to his or her own need and understanding. Handouts and information about the course can be found at:

<http://www.econ.hku.hk/~yfluk/hkecon/index.html>

COURSE OUTLINE

1. Introduction: National Income Accounting and Economic Development

- a. Census and Statistics Department, "Introduction to Gross Domestic Product (GDP), Gross National Product (GNP), Balance of Payments (BoP) Statistics", February 2001.
http://www.info.gov.hk/censtatd/eng/statliteracy/edu_booklet/introtogdp/gdpgnpbop_index.html
- b. Census and Statistics Department, "Understanding the Concepts of Gross Domestic Product and Gross National Product", January 2001.
http://www.info.gov.hk/censtatd/eng/statliteracy/edu_booklet/understandGDPandGNP/understandGDPandGNP_index.html
- c. Census and Statistics Department, "Introduction to the Consumer Price Index", October 2001.
http://www.info.gov.hk/censtatd/eng/statliteracy/edu_booklet/cpi/cpi_index.html
- d. Census and Statistics Department, *2002 Gross Domestic Product*, March 2003.
- e. Luk, Y.F., *Hong Kong's Economic and Financial Future* (Washington, D.C.: Center for Strategic and International Studies, 1995), ch.2.

2. Monetary System and Exchange Rate Regime

- a. Hong Kong Monetary Authority, "Currency Board System".
http://www.info.gov.hk/hkma/eng/currency/link_ex/index.htm
- b. Hong Kong Monetary Authority, "The Exchange Fund".
<http://www.info.gov.hk/hkma/eng/exchange/index.htm>
- c. Hong Kong Monetary Authority, *Guide to Hong Kong Monetary and Banking Terms*, 2nd ed., November 2000.
<http://www.info.gov.hk/hkma/eng/public/ghkmbt/toc.htm>
- d. Hong Kong Monetary Authority, *Hong Kong's Linked Exchange Rate System*, (HKMA Background Brief No.1), November 2000.
http://www.info.gov.hk/hkma/eng/public/hkmalin/hkmalin_eng.pdf
- e. Jao, Y.C., "The Working of the Currency Board: the Experience of Hong Kong 1935-1997", *Pacific Economic Review*, Vol. 3, no. 3, pp. 219-41.
<http://www.lib.hku.hk/>
(Go to E-Journals > Social Sciences > Economics and finance > Pacific Economic Review > Firstsearch > Vol.3 No.3)
- f. Jao, Y.C., ed., *Monetary Management in Hong Kong: The Changing Role of the Exchange Fund* (Hong Kong: Hong Kong Institute of Bankers, 1991), chs. 1 & 2.

- g. Beecham, B. Julian, *Monetary and Financial System in Hong Kong*, 3rd ed. (Hong Kong: Hong Kong Institute of Bankers, 2002).
- h. Yam, Joseph, *Review of Currency Board Arrangements in Hong Kong* (Hong Kong: Hong Kong Monetary Authority, 1998).
<http://www.info.gov.hk/hkma/eng/public/rcbahke/rcbahke.pdf>
- i. Yam, Joseph, *A Modern Day Currency Board System* (Hong Kong: Hong Kong Monetary Authority, 1988).
<http://www.info.gov.hk/hkma/eng/public/mdcbs/content.htm>
- j. Hong Kong Monetary Authority, “Strengthening of Currency Board Arrangements in Hong Kong”, *HKMA Quarterly Bulletin*, November 1998, pp. 1-5.
<http://www.info.gov.hk/hkma/eng/public/qb9811/pdf/qbfa02.pdf>
- k. Latter, Tony, “Why Blame the Peg?”, *HKMA Quarterly Bulletin*, May 2002, pp. 39-47.
<http://www.info.gov.hk/hkma/eng/public/qb200205/fa5.pdf>
- l. Latter, Tony, “Who or What Determines Monetary Policy in Hong Kong?”, *HKMA Quarterly Bulletin*, May 2002, pp. 56-60.
<http://www.info.gov.hk/hkma/eng/public/qb200205/fa6.pdf>
- m. Latter, Tony, “Hong Kong’s Currency Board Today: The Unexpected Challenge of Deflation”, *HKMA Quarterly Bulletin*, August 2002, pp. 48-53.
<http://www.info.gov.hk/hkma/eng/public/qb200208/fa3.pdf>
- n. Latter, Tony, “Preserving Monetary Stability in the Face of Budget Deficits”, *HKMA Quarterly Bulletin*, November 2002, pp. 61-66.
<http://www.info.gov.hk/hkma/eng/public/qb200211/fa3.pdf>
- o. Chiu, Priscilla and Kitty Lai, “Definition of Money Supply”, *HKMA Quarterly Bulletin*, May 2002, pp. 16-23.
<http://www.info.gov.hk/hkma/eng/public/qb200205/fa02.pdf>
- p. Peng, Wensheng and Joanna Y.L. Shi, “External Demand for Hong Kong Dollar Currency”, *HKMA Quarterly Bulletin*, March 2003, pp. 5-15.
<http://www.info.gov.hk/hkma/eng/public/qb200303/fa1.pdf>
- q. Hong Kong Monetary Authority, “Real Interest Rates in Hong Kong”, *HKMA Quarterly Bulletin*, August 1999, pp. 1-16.
<http://www.info.gov.hk/hkma/eng/public/qb9908/fa01.pdf>
- r. Ha, Jiming and Kelvin Fan, “Alternative Measures of the Real Effective Exchange Rate”, *HKMA Quarterly Bulletin*, March 2003, pp. 16-21.
<http://www.info.gov.hk/hkma/eng/public/qb200303/fa2.pdf>

3. Financial Markets and Institutions

- a. Hong Kong Monetary Authority, “Development of Financial Infrastructure in Hong Kong”, *HKMA Quarterly Bulletin*, March 2003, pp. 40-45.
<http://www.info.gov.hk/hkma/eng/public/qb200303/fa5.pdf>
- b. International Monetary Fund, *People’s Republic of China – Hong Kong Special Administrative Region: Selected Issues and Statistical Appendix*, IMF Staff Country Report No. 01/146, August 2001, Sections II and III.
<http://www.imf.org/external/pubs/ft/scr/2001/cr01146.pdf>
- c. Beecham, B. Julian, *Monetary and Financial System in Hong Kong*, 3rd ed. (Hong Kong: Hong Kong Institute of Bankers, 2002).
- d. KPMG Barents, *Hong Kong Banking into the New Millennium – Hong Kong Banking Sector Consultancy Study – Executive Summary*, December 1998.
<http://www.info.gov.hk/hkma/eng/public/hkbnm/hkbnm.pdf>
- e. KPMG Barents, *Hong Kong Banking into the New Millennium – Hong Kong Banking Sector Consultancy Study – Detailed Recommendations*, December 1998.
<http://www.info.gov.hk/hkma/eng/public/hkbnmf/hkbnmf.pdf>
- f. Hong Kong Monetary Authority, *Hong Kong Banking into the New Millennium – Policy Response to the Banking Sector Consultancy Study*, July 1999.
<http://www.info.gov.hk/hkma/eng/public/hkbnm3/contents.pdf>
- g. Arthur Andersen, *Hong Kong Monetary Authority Deposit Protection Study – Final Report*, July 2000.
http://www.info.gov.hk/hkma/eng/dis/dis-final_report.pdf
- h. Hong Kong Monetary Authority, *Enhancing Deposit Protection in Hong Kong*, October 2000.
<http://www.info.gov.hk/hkma/eng/dis/dis-paper-e.pdf>
- i. Yam, Joseph, “Consumer Protection and the Banking Industry”, *HKMA Quarterly Bulletin*, August 2001, pp. 41-46.
<http://www.info.gov.hk/hkma/eng/public/qb200108/sp01.pdf>
- j. Hong Kong Monetary Authority, *Prudential Supervision in Hong Kong*, April 2002.
<http://www.info.gov.hk/hkma/eng/public/pshk/pshk.pdf>
- k. Hong Kong Monetary Authority, *Banking Supervision in Hong Kong*, (HKMA Background Brief No. 2), March 2003.
http://www.info.gov.hk/hkma/eng/public/bank_supervision/bank_sup.htm
- l. Carse, David, “Bank Consolidation in Hong Kong”, *HKMA Quarterly Bulletin*, August 2001, pp. 52-56.
<http://www.info.gov.hk/hkma/eng/public/qb200108/sp02.pdf>
- m. Carse, David, “The Changing Landscape of Banking in Hong Kong”, *HKMA Quarterly Bulletin*, November 2001, pp. 95-98.
<http://www.info.gov.hk/hkma/eng/public/qb200111/sp02.pdf>

- n. Peng, Wensheng, Lai, Kitty, Leung, Frank and Chang Shu, “The Impact of Interest Rate Shocks on the Performance of the Banking Sector”, *HKMA Quarterly Bulletin*, June 2003, pp. 20-27.
<http://www.info.gov.hk/hkma/eng/public/qb200306/fa2.pdf>
- o. Jiang, Guorong, Tang, Nancy, Law, Eve and Angela Sze, “The Profitability of the Banking Sector in Hong Kong”, *HKMA Quarterly Bulletin*, September 2003, pp. 5-14.
<http://www.info.gov.hk/hkma/eng/public/qb200309/fa1.pdf>
- p. Lai, Kitty and Joanna Y.L. Shi, “Factors Influencing the Share of Hong Kong Dollar Deposits in Total Deposits”, *HKMA Quarterly Bulletin*, September 2003, pp. 15-22.
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- q. Hong Kong Monetary Authority, “Hong Kong Dollar Debt Market Developments in 2000”, *HKMA Quarterly Bulletin*, February 2001, pp. 1-11.
<http://www.info.gov.hk/hkma/eng/public/qb200102/fa01.pdf>
- r. Jiang, Guorong, Tang, Nancy and Eva Law, “Cost-benefit Analysis of Developing Debt Markets”, *HKMA Quarterly Bulletin*, November 2001, pp. 1-18.
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- s. Jiang, Guorong, Tang, Nancy and Eva Law, “Hong Kong Dollar Debt Market developments in 2001”, *HKMA Quarterly Bulletin*, February 2002, pp. 1-7.
<http://www.info.gov.hk/hkma/eng/public/qb200202/fa01.pdf>
- t. Hong Kong Monetary Authority, “The Nexus of Consumer credit, Household Debt Service and Consumption”, *Quarterly Bulletin*, November 2002, pp. 35-48.
<http://www.info.gov.hk/hkma/eng/public/qb200211/fa2.pdf>
- u. Hong Kong Monetary Authority, “Corporate Restructuring in Hong Kong in the Aftermath of the Asian Financial Crisis”, *Quarterly Bulletin*, May 2001, pp. 1-21.
<http://www.info.gov.hk/hkma/eng/public/qb200105/fa01.pdf>
- v. Yu, Ip-wing, Ha, Fanny, Law, Eve and Laurence Fung, “An Analysis of the Financial Health of Hong Kong Corporations”, *HKMA Quarterly Bulletin*, December 2003, pp. 5-16.
<http://www.info.gov.hk/hkma/eng/public/qb200312/fa1.pdf>
- w. Hong Kong Monetary Authority, “Half-yearly Monetary and Financial Stability Report”, *HKMA Quarterly Bulletin*, December 2003, pp. 43-89.
<http://www.info.gov.hk/hkma/eng/public/qb200312/mfsr.pdf>
- x. International Monetary Fund, *People’s Republic of China – Hong Kong Special Administrative Region: Financial System Stability Assessment*, IMF Staff Country Report No. 03/191, June 2003.
<http://www.imf.org/external/pubs/ft/scr/2003/cr03191.pdf>

4. Public Finance and Fiscal Policy

- a. Hong Kong SAR Government, “The Economy”, in *Hong Kong 2002*, ch. 3.
<http://www.info.gov.hk/yearbook/2002/ehhtml/e03-frame.htm>
- b. Hong Kong SAR Government, *The 2004-05 Budget*, March 2004.
<http://www.budget.gov.hk/2004/eng/speech.htm>
- c. Hong Kong SAR Government, previous budget speeches by the Financial Secretary.
<http://www.budget.gov.hk/2004/eng/past.htm>
- d. International Monetary Fund, *People’s Republic of China – Hong Kong Special Administrative Region: Selected Issues and Statistical Appendix*, IMF Staff Country Report No. 01/146, August 2001, Section I.
<http://www.imf.org/external/pubs/ft/scr/2001/cr01146.pdf>
- e. International Monetary Fund, *People’s Republic of China – Hong Kong Special Administrative Region: Selected Issues*, IMF Staff Country Report No. 03/142, May 2003, Section I.
<http://www.imf.org/external/pubs/ft/scr/2003/cr03142.pdf>
- f. International Monetary Fund, *Hong Kong SAR: Policy and Administrative Issues in Introducing a Goods and Services Tax*, January 2001.
http://www.info.gov.hk/fstb/tb/acnbt/english/finalrpt/annex_imfreporteng.pdf
- g. KPMG, *Tax Base Study for the Hong Kong Government Advisory Committee on New Broad-based Taxes*, July 2001.
<http://www.info.gov.hk/fstb/tb/acnbt/english/otherdoc/otherdoc.html>
- h. Hong Kong SAR Government, *A Broader-based Tax System for Hong Kong? – Consultation Document*, August 2001.
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- i. Hong Kong Monetary Authority, “Hong Kong: Macroeconomic Impact of Recent Fiscal Measures”, *Quarterly Bulletin*, February 2000, pp. 1-15.
<http://www.info.gov.hk/hkma/eng/public/qb200002/fa01.pdf>

5. External Trade and Foreign Investment

- a. Gerlach, Stefan, Peng, Wensheng and Joanna Y.L. Shi, “An Analysis of Balance of Payments Development in 2002”, (Hong Kong: Hong Kong Monetary Authority, April 2003).
(website address to follow)
- b. Ha, Jiming, Fan, Kelvin and Chang Shu, “Export Performance in Hong Kong – Offshore Trade and Re-exports”, *HKMA Quarterly Bulletin*, June 2003, pp. 5-19.
<http://www.info.gov.hk/hkma/eng/public/qb200306/fa1.pdf>
- c. International Monetary Fund, *People’s Republic of China – Hong Kong Special Administrative Region: Selected Issues and Statistical Appendix*, IMF Staff Country

Report No. 00/30, March 2000, Section II.

<http://www.imf.org/external/pubs/ft/scr/2000/cr0030.pdf>

- d. International Monetary Fund, *People's Republic of China – Hong Kong Special Administrative Region: Selected Issues*, IMF Staff Country Report No. 02/99, April 2002, Section I.
<http://www.imf.org/external/pubs/ft/scr/2002/cr0299.pdf>
- e. Hong Kong Monetary Authority, “The Impact of China’s Accession to the World Trade Organisation on Asia”, *Quarterly Bulletin*, November 2002, pp. 1-18.
<http://www.info.gov.hk/hkma/eng/public/qb200211/fa1.pdf>
- f. Hong Kong Monetary Authority, “Hong Kong’s External Claims and Liabilities Vis-avis Mainland China”, *Quarterly Bulletin*, February 2002, pp. 15-24.
<http://www.info.gov.hk/hkma/eng/public/qb200202/fa02.pdf>
- g. Fung, K.C., *Trade and Investment: Mainland China, Hong Kong and Taiwan* (Hong Kong: City University of Hong Kong Press, 1997).
- h. Sung, Yun-Wing, *Hong Kong and South China: The Economic Synergy* (Hong Kong: City University of Hong Kong Press, 1998).

6. Deflation

- a. International Monetary Fund, *People's Republic of China – Hong Kong Special Administrative Region: Selected Issues*, IMF Staff Country Report No. 03/142, May 2003, Section III.
<http://www.imf.org/external/pubs/ft/scr/2003/cr03142.pdf>
- b. Schellekens, Philip, “Deflation in Hong Kong SAR”, *IMF Working Paper* WP/03/77, April 2003.
<http://www.imf.org/external/pubs/ft/wp/2003/wp0377.pdf>
- c. N’Diaye, Papa, “Determinants of Deflation in Hong Kong SAR”, *IMF Working Paper* WP/03/250, December 2003.
(website address to follow)

7. Labour Market and Employment

- a. International Monetary Fund, *People's Republic of China – Hong Kong Special Administrative Region: Selected Issues*, IMF Staff Country Report No. 02/99, April 2002, Section II.
<http://www.imf.org/external/pubs/ft/scr/2002/cr0299.pdf>
- b. International Monetary Fund, *People's Republic of China – Hong Kong Special Administrative Region: Selected Issues and Statistical Appendix*, IMF Staff Country Report No. 00/30, March 2000, Section III.
<http://www.imf.org/external/pubs/ft/scr/2000/cr0030.pdf>

- c. Hong Kong Monetary Authority, “Sources of Unemployment: Recent Developments and Prospects”, *Quarterly Bulletin*, November 2001, pp. 33-48.
<http://www.info.gov.hk/hkma/eng/public/qb200111/fa02.pdf>
- d. Fan, Kelvin, “Recent Developments in Labour Earnings in Hong Kong”, *HKMA Quarterly Bulletin*, December 2003, pp. 17-26.
<http://www.info.gov.hk/hkma/eng/public/qb200312/fa2.pdf>
- e. Suen, Wing, and Chan, William, *Labour Market in a Dynamic Economy* (Hong Kong: City University of Hong Kong Press, 1997).
- f. Lam, Kit Chun and Liu, Pak Wai, *Immigration and the Economy of Hong Kong* (Hong Kong: City University of Hong Kong Press, 1998).
- g. Lui, Francis T., *Retirement Protection: a Plan for Hong Kong* (Hong Kong: City University of Hong Kong Press, 1998).
- h. Siu, Alan, “Hong Kong’s Mandatory Provident Fund”, HIEBS Working Paper 1021, Hong Kong Institute of Economics and Business Strategy, The University of Hong Kong, September 2000.
http://www.hiebs.hku.hk/working_paper_updates/pdf/wp1021.pdf

8. Property Market and Housing Policy

- a. Hong Kong SAR Government, “Housing”, in *Hong Kong 2002*, ch. 11.
<http://www.info.gov.hk/yearbook/2002/ehhtml/e11-frame.htm>
- b. Hong Kong Monetary Authority, “The Property Market and the Macro-economy”, *Quarterly Bulletin*, May 2001, pp. 40-49.
<http://www.info.gov.hk/hkma/eng/public/qb200105/fa02.pdf>
- c. Hong Kong Monetary Authority, “Bank Lending and Property Prices in Hong Kong”, *Quarterly Bulletin*, August 2002, pp. 1-10.
<http://www.info.gov.hk/hkma/eng/public/qb200208/fa1.pdf>
- e. Hong Kong Monetary Authority, “What Drives Property Prices in Hong Kong?”, *Quarterly Bulletin*, August 2002, pp. 19-33.
<http://www.info.gov.hk/hkma/eng/public/qb200208/fa2.pdf>
- f. International Monetary Fund, *People’s Republic of China – Hong Kong Special Administrative Region: Selected Issues*, IMF Staff Country Report No. 03/142, May 2003, Section II.
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- g. International Monetary Fund, “Property Prices and Speculative Bubbles: Evidence from Hong Kong SAR”, *IMF Working Paper* WP/00/2, January 2000.
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- h. Fu, Yuming, "Housing Market and Housing Policies", in *The Other Hong Kong Report 1996* (Hong Kong: The Chinese University Press, 1996), pp. 261-85.
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- j. Wong, Y.C. Richard, *On Privatizing Public Housing* (Hong Kong: City University of Hong Kong Press, 1998).

9. Regulation of Public Utilities and Competition Policy

- a. Consumer Council, *Competition Policy: The Key to Hong Kong's Future Economic Success* (Hong Kong: Consumer Council, 1996).
- b. Cheng, Leonard K. and Wu, Changqi, *Competition Policy and the Regulation of Business* (Hong Kong: City University of Hong Kong Press, 1998).
- c. Lam, Pun-Lee, *Competition in Energy* (Hong Kong: City University of Hong Kong Press, 1997).

10. Other Current Issues

- a. Tao, Zhigang, and Y.C. Richard Wong, "Hong Kong: From an Industrialized City to a Center of Manufacturing-Related Services", HIEBS Working Paper 1022, Hong Kong Institute of Economics and Business Strategy, The University of Hong Kong, August 2001.
http://www.hiebs.hku.hk/working_paper_updates/pdf/wp1022.pdf
- b. Kwong, Kai-Sun, *Technology and Industry* (Hong Kong: City University of Hong Kong Press, 1997), ch. 2.
- c. International Monetary Fund, *People's Republic of China – Hong Kong Special Administrative Region: Selected Issues and Statistical Appendix*, IMF Staff Country Report No. 98/41, April 1998, Section VI.
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