

ECON 5360 Monetary Economics

Department of Economics

Hong Kong University of Science and Technology

Spring 2025

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Course Objectives

This course provides an introduction to monetary economics that treats money as the economywide response to some fundamental frictions. Starting from economic theories of money, it aims to enable students to examine (i) different causes for inflation (including fiscal policy and the relationship between debt and inflation), (ii) real effects of inflation (including the output-inflation correlation and wealth redistribution effect), (iii) real and nominal effects of different money injections (including the implication on the nominal interest rate from asset purchasing and the difference between asset-purchasing based injection and helicopter drop), (iv) competition of currencies (including what makes a monetary object, e.g., gold, fiat paper money, CBDC, cryptos, etc., a more acceptable object), and (v) a class of phenomena related to banking, credits and liquidity from monetary perspective.

Intended Learning Outcomes

1. Know the basic theories of money. (PILO 1, 2)
2. Learn theory implications to various policy-related issues. (PILO 1, 2)
3. Conduct theory-guided examination of monetary phenomena quantitatively and qualitatively. (PILO 1, 2)

Prerequisites: Econ 5130, 5140

Course material

There is no assigned book. Lecture notes, mostly built on journal articles, are provided. For the overlapping-generations models, one may refer to Ljungqvist and Sargent [1, Ch 9], Romer [2, Ch 2], and Sargent [3, Ch 7].

Grading

The grade is based on the final exam..

Academic integrity: Cheating and plagiarism are not tolerated. Any violation will be reported to the university. See <http://www.ust.hk/vpao/ug-guide/integrity/> for details.

Course outline

Lecture 1: The classical dichotomy

Lecture 2: Money in the OLG model

Lecture 3: Different causes for inflation

Lecture 4: Real effects of inflation

Lecture 5: Real and nominal effects of different money injections

Lecture 6: Competition of currencies

Lecture 7: Others selected topics

References

- [1] Ljungqvist, Lars and Thomas Sargent, “Recursive Macroeconomic Theory,” Second Edition, MIT Press, Cambridge, 2000.
- [2] Romer, David, “Advanced Macroeconomics,” Fourth Edition, McGraw-Hill, New York, 2012.
- [3] Sargent, Thomas J., *Dynamic Macroeconomic Theory*, Cambridge, MA: Harvard University Press, 1987.