



Department of Economics

ECON 4334

MONEY & BANKING

(Spring, 2024-25)

INSTRUCTOR

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CLASS SCHEDULE

Lecture times are Wednesday and Friday 4:30pm–5:50pm in LSK 1001. Tutorials are Tuesday 6:00pm–6:50pm in LSK Building (51), Room 1003. Teaching mode is “face to face”.

COURSE DESCRIPTION

This course deals with the structure and operations of commercial and central banks, money supply and demand, presenting both theory and practical applications. It also includes a theoretical introduction to monetary economics. The course examines supply of money, process of deposit creation in commercial banks, the tools and impact of monetary policy and the role of central banking in the banking industry. It also considers banking practices in an international context, including those of the US Federal Reserve, the People’s Bank of China, the ECB, and BOJ. Models of money and banks are studied in this course with rigorous micro foundations including the overlapping generations model, providing theoretical and practical, real World insight into the behaviour on monetary aggregates, interest rates, inflation and economic activity.

ASSUMED KNOWLEDGE

Pre-requisites for this course are ECON 3014 or ECON 3113 (Microeconomics) and ECON 2123 or ECON 3123 (Macroeconomics). Some background in multivariable calculus is assumed.

COURSE INTENDED LEARNING OUTCOMES (CLIO's)

After completing this course, students should be able to understand, explain and identify the followings:

- (1) Basic concepts money, the monetary system and the role of central banks in the financial system. **(PILO 1, 3)**
- (2) The tools used by central banks in the conducting of monetary policy. **(PILO 1)**
- (3) The management of banking and other financial institutions and the interplay with central banks and the real economy. **(PILO 3)**
- (4) The role that central banks play in mitigating systemic risks in the economy via regulation, orthodox monetary policy and quantitative easing during episodes such as COVID-19, the Global Financial Crisis, the Asian Financial Crisis and other episodes. **(PILO 1, 2, 3)**
- (5) Junior/intermediate undergraduate models - ISLM, Aggregate Supply-Aggregate Demand, the Quantity theory of money, and open economy models and international finance. **(PILO 1)**
- (6) Advanced undergraduate models – Overlapping Generations Model with Money. **(PILO 1)**

RECOMMENDED LEARNING RESOURCES

Reference: Frederic S. Mishkin, *The Economics of Money, Banking, and Financial Markets*, 12th edition, Global edition, 2019 or other recent editions.

Reference: Bruce Champ, Scott Freeman and Joseph Haslag, *Modeling Monetary Economies*, 3rd, 4th or 5th Editions, Cambridge University Press: 2011, 2015, 2022. Additional Readings: Announced on Canvas or during class, when required.

HOMEWORK & TUTORIALS

Students must submit 4 assignments. Picked randomly, 2 will be graded, each worth 10% for a total of 20% of assessment. Non-submission of an assignment without a valid excuse and advance warning will lead to a loss of 5%, whether the assignment is graded or not. Problem sets will also be posted, to help students understand content and prepare for exams. Some of these problems will be discussed during tutorials. Tutorials will NOT be every week. There will be a selective number of tutorials throughout the term as needed. Problem sets are not for submission. Solutions will be provided for assignments and problem sets and the TA will go over some of these during tutorials. Tutorials may also include revision of selective material from class. Students will be required to make a statement about the use of ChatGPT in assignments. See the policy on ChatGPT in this course outline. No ChatGPT is permitted in individual assignments. **No late homework will be accepted!**

CHAT GPT POLICY

ChatGPT is not permitted in this course. No use in exams or individual assignments is permitted. Violation of this policy will be considered an academic integrity breach with potentially serious consequences.

ATTENDANCE POLICY & CLASS PARTICIPATION

Class attendance will be recorded each week. Attendance may be used as an input for the class participation grade and in some circumstances may be a contributing factor in borderline grading decisions. Class participation is NOT a 1-1 mapping with attendance. While attendance may be a contributing factor, the constructive contribution to class discussion will be very influential in your class participation grade. Conversely, disruptive behavior will lead to a lower participation grade. Class participation is worth 10% of your total grade.

RUBRICS FOR FINAL GRADE

- Excellent Performance (A range): Demonstrates a deep understanding of the economic and finance tools covered in the course. Exhibits excellent analytical ability in understanding monetary models. Excels in applying theory to real World events including current monetary policy questions. Performs very well in class participation and individual assignments, midterm and final exam.
- Good Performance (B range): Shows a solid grasp of the economic and finance tools and monetary models covered in the course. Demonstrates a solid ability to apply theory to real World events. Performs well in the midterm, final exam, and assignments. Performs well in class participation.
- Marginal Performance (C, D range): Has basic knowledge of the macro-finance skills in the course, together with practical application. Shows limited skills in utilizing them. Acceptable performance in assignments with limited class participation and has a solid performance in the exams.
- Fail: Demonstrates insufficient understanding of the macro-finance techniques covered in the course. Lacks skills in utilizing them in real world examples. Unsuccessful in the assignments with little or no class participation

ASSESSMENT SCHEME

Task nature	Description	Weight
Final Exam	Examines all topics covered during the term	45%
Midterm Exam	Examines all topics up to Lecture 9	25%
Assignments	Four assignments to be submitted for assessment	20%
Class Participation	Engagement and constructive dialogue in class	10%

EXAMINATIONS

The midterm exam will be held March 27 (around) in the evening (location and exact time to be confirmed). The final will be held during the centralized examination period (May 19-29) with the exact details announced later in the semester in class. Examinations will consist of short-answer questions and multiple choice questions. There will NOT be make-up exams. If you miss the midterm exam for a valid, pre-approved reason, alternative assessment may be arranged. **Do not miss the final.** Any legitimate exam time conflicts must be documented in writing (can be sent by email) and submitted to me or the TA at least **4 weeks before the exam** for approval. Only serious medical or personal emergencies may be accepted as legitimate excuses for a missed exam. If you fail to attend an exam for medical reasons, you must present a doctor's note. If you miss an exam without a valid reason, then you will receive a zero. The mid-term exam is worth 25% and the final exam is worth 45% of your final grade.

COURSE SCHEDULE

This is a tentative schedule subject to adjustment based on class progress and course improvement.

Lecture	Date	Topics ¹	Reference
1	Feb 5	Motivation, Admin and Introduction to Central Banks	Ch.14
2	Feb 7, Feb 12	Bond Markets, Rates, & Financial Markets	Ch. 4-6
3	Feb 14	Banking & the Management of Financial Institutions	Ch. 9
4	Feb 19	Banking Regulation & Financial Crises	Ch. 10, 12
5	Feb 21, 26	Money, Credit Creation Process & Monetary System	Ch.15
6	Feb 28	Monetary Growth, Inflation & Central Bank Tool Box	Ch. 16, 20
7	Mar 5	Monetary Policy Strategy & Tactics	Ch. 16-17
8	Mar 7, 12	Monetary Policy Transmission and ADAS Analysis	Ch. 26
9	Mar 14, 19	ISLM, Phillips Curve, Okun's Law & Monetary Policy	Ch. 22-23
10	Mar 21, 26	Foreign Exchange Markets and Monetary Policy	Ch.18-19
	Mar 27	<i>Midterm Exam (TBD)</i>	<i>Lectures 1-9</i>
11	Mar 28, Apr 9	Money - A Simple OLG Model of Money	Ch.1*
12	Apr 11, 16, 23	Money - Inflation and Seigniorage in OLG	Ch. 3*
13	Apr 25, 30	Banking - OLG Model of Money with Capital	Ch. 6*
14	May 2	Banking – Liquidity & Financial Intermediation (OLG)	Ch. 7*
15	May 7, 9	Revision of Semester Material and Guidelines for Final	
	May 19-29	Final Exam (Lectures 1-13) Centralized Exam Period (TBD)	

ASSESSMENT TIMETABLE

This is a tentative timetable subject to adjustment based on class progress

Date	Topics	Lecture Content
Feb 12	<i>Assignment 1 Posted</i>	1-4
Feb 26	Assignment 1 Deadline	
Feb 28	<i>Assignment 2 Posted</i>	6-7
Mar 14	Assignment 2 Deadline	
Mar 27 ²	Midterm Exam	
Apr 9	<i>Assignment 3 Posted</i>	10-11
Apr 23	Assignment 3 Deadline	
Apr 25	<i>Assignment 4 Posted</i>	12-13
May 9	Assignment 4 Deadline	
May 19-29	Final Exam: Centralized Exam Period (TBD)	1-13

¹ Additional references may be provided for certain topics on Canvas or in class

² The midterm exam date and location is to be confirmed. It will be on during an evening most likely March 27.