

At HONG KONG UNIVERSITY OF SCIENCE & TECHNOLOGY



Department of Economics

**ECON 4334
(4 Units)**

**MONEY & BANKING
(Spring, 2025-26)**

INSTRUCTOR

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TEACHING ASSISTANT

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CLASS SCHEDULE

Lecture times and location TBD. 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). Knowledge of 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) Understand basic monetary concepts, the financial system, and the role of central banks. **(PILO 1, 3)**
- (2) Analyze the tools central banks use to implement monetary policy and their effects on the economy. **(PILO 1)**
- (3) Examine the management of banks and financial institutions and their interactions with central banks and the real economy. **(PILO 3)**
- (4) Evaluate the role of central banks in mitigating economic risks through regulation and policy responses to financial crises. **(PILO 1, 2, 3)**
- (5) Apply key economic models, including ISLM, AS-AD, Quantity Theory of Money, and advanced macroeconomic models. **(PILO 1)**
- (6) Assess central bank policies, analyze their effects on interest rates, and scrutinize financial stability using algebraic and geometric modelling. **(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. Each is worth 5% for a total of 20% of total assessment. Non-submission of an assignment without a valid excuse and advance warning will lead to a loss of 5%. 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 or instructor will go over some of these during tutorials. Tutorials may also include revision of selective material from class. **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 5% 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 | 50% |
| 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 | 5% |

EXAMINATIONS

The midterm will be held after week 9 and will be arranged one evening. The exam duration is 2 hours. The final will be held during the centralized examination period 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 50% 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 | TBD | Motivation, Admin and Introduction to Central Banks | Ch.14 |
| 2 | TBD | Bond Markets, Rates, & Financial Markets | Ch. 4-6 |
| 3 | TBD | Banking & the Management of Financial Institutions | Ch. 9 |
| 4 | TBD | Banking Regulation & Financial Crises | Ch. 10, 12 |
| 5 | TBD | Money, Credit Creation Process & Monetary System | Ch.15 |
| 6 | TBD | Monetary Growth, Inflation & Central Bank Tool Box | Ch. 16, 20 |
| 7 | TBD | Monetary Policy Strategy & Tactics | Ch. 16-17 |
| 8 | TBD | Monetary Policy Transmission and ADAS Analysis | Ch. 26 |
| 9 | TBD | ISLM, Phillips Curve, Okun's Law & Monetary Policy | Ch. 22-23 |
| | TBD | <i>Midterm Exam (LSK 1001)</i> | <i>Lectures 1-9</i> |
| 10 | TBD | Foreign Exchange Markets and Monetary Policy | Ch. 18-19 |
| 11 | TBD | Money - A Simple OLG Model of Money | Ch.1* |
| 12 | TBD | Money - Inflation and Seigniorage in OLG | Ch. 3* |
| 13 | TBD | Banking - OLG Model of Money with Capital | Ch. 6* |
| 14 | TBD | Banking – Liquidity & Financial Intermediation (OLG) | Ch. 7* |
| 15 | TBD | Revision of Semester Material and Guidelines for Final | |
| | | <i>Final Exam - Centralized Exam Period (TBD)</i> | <i>Lectures 1-15</i> |

ASSESSMENT TIMETABLE

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

| Date | Topics | Lecture Content |
|------|---|-----------------|
| TBD | <i>Assignment 1 Posted</i> | 1-4 |
| TBD | | |
| TBD | Assignment 1 Deadline <i>Assignment 2 Posted</i> | 6-7 |
| TBD | Assignment 2 Deadline | |
| TBD | Midterm Exam | |
| TBD | <i>Assignment 3 Posted</i> | 10-11 |
| TBD | Assignment 3 Deadline, Assignment 4 Posted | |
| TBD | <i>Last Class</i> | |
| TBD | Assignment 4 Deadline | 12-13 |
| TBD | Final Exam (Centralized Exam Period) | 1-15 |

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