January 2019

HKUST, Department of Economics

Topics in Monetary Policy and Central Banking

1. **Course identification information.** Course name: Topics in Monetary Policy and Central Banking. Course number: Econ 5341. Instructor: Michael (“Mico”) S. LORETAN. Teaching assistant: LI Run. Classroom: LTK. Class times: Jan. 9 to 25, 2019; W&F 10:00am to 12:20pm and 2:00pm to 3:50pm.

2. **Course overview and global objectives.** (a) Understand real world importance of monetary policy and financial system stability policies for the performance of an economy. (b) Gain overview of how central banks—the institutions which design and implement monetary and financial system stability policies—go about their work.

3. **Course outline.** The course covers the following topics: (a) Central bank communication, with recent real-world examples. (b) Basic goals, objectives, and instruments of monetary policy. (c) Microprudential and macroprudential approaches to regulating financial institutions and systems. (d) Causes and consequences of hyperinflations. (e) Classical and more recent approaches to conducting “conventional” monetary policy. (f) Breakdown of conventional monetary policy frameworks, forms of “unconventional” monetary policy. (g) The role of forecasting in the conduct of monetary policy. (h) International economic aspects of monetary policy and multilateral aspects of central banking.

4. **Textbook and supplemental reading materials.** The main textbook for this course is *The Economics of Money, Banking, and Financial Markets* by Frederic S. Mishkin. Supplemental readings will be provided as needed.

5. **Assessment method.** Grades will be based primarily on students’ performance in both a take-home midterm exam, handed out at the end of the second course day, and a take-home final exam, to be completed following the end of the course. The midterm exam will consist of a brief study that identifies and briefly analyzes the salient features of selected financial market developments. The final exam will consist of writing two essays that address and analyze economic statements related to monetary policy making and central banking. A student’s above-average oral participation in classroom discussions will also positively affect his/her grades.

6. **Method of instruction.** The course is designed mainly around a series of lectures. Active participation by students, including asking questions and volunteering to provide answers to questions posed by other students, is strongly encouraged. Engaging the instructor and the teaching assistant between classes is also encouraged.
7. **Policies and procedures.** The department’s standard policies regarding academic conduct and misconduct apply. Students must complete the midterm and final exams on their own. All indications of illicit collaboration and outright copying will be investigated thoroughly. If a student cannot attend some of the lectures, he/she should inform the TA as soon as possible about the anticipated absence. Accommodations for students with disabilities will be made as needed.

8. **Guidelines for successful course completion.** In determining the final grade, 30% weight will be given to the midterm exam, and 70% of the weight will be given to the final exam. Both the midterm exam and the final exam are take-home. The final exam will consist of writing essays on two topics chosen from a list of four topics. A general remark: When writing an essay on just about any nontrivial topic in economics, there is usually no single “correct” answer. What matters are clarity of presentation, coherent structure, and careful and consistent use of economic concepts and arguments. Students should organize their essays around stating and justifying what they believe to be the main arguments either for or against some claim that has been set forth. Students should also make sure to provide and explain supporting arguments and pieces of evidence needed to bolster their main arguments. In contrast, the absolute length of an essay (measured, say, by the number of words) is usually nearly irrelevant. When in doubt, students should give preference to brevity and conciseness.