

Economics 4334 Money and Banking
Department of Economics
Hong Kong University of Science and Technology
(Spring 2019 W/F 1:30-2:50 1011 LSK)

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Course Objectives

This course provides an introduction to money, banking and financial markets. It examines how financial markets work, how financial institutions work, the role of money and the role of monetary policy in an economy.

Intended Learning Outcomes

After this course, you should be able to

1. Explain some fundamental concepts and theories in money, banking and financial markets; (PILO 3, 4, 6)
2. Understand the functions of financial markets and financial institutions; (PILO 3, 4)
3. Understand how monetary policy affects the functions of financial markets and financial institutions. (PILO 3, 4)

Prerequisites

1. ECON 2123 or ECON 3123
2. Students are expected to know elementary calculus and its usual applications to the optimization problems in economics (e.g., ECON 2113 or ECON 3113)

The course material

1. Lecture notes.

2. Reference book: *The Economics of Money, Banking and Financial Markets* (9th Ed. Pearson) by Mishkin.

Grading

The grade is based on the homework sets (10%), the mid term exam (30%), and the final exam (60%). The final exam is accumulative. There is no make-up for the mid-term exam. If you have a valid excuse, you are graded proportionately by the work completed. Illness is taken as a valid excuse only if a doctor indicates by a written note that illness affects you to take the exam. Refer to the University's policy for validity of other excuses.

Reminder

That you need a certain grade for some purpose is not a reason to assign you this grade, while it should be an incentive for you to earn the grade. Your grade is based on your performance, which, in turn, depends on your effort before the final exam but does not on your negotiation skill after the exam. Indeed, there is no post-exam grade negotiation. Needless to say, any pre-exam effort to improve the grade is encouraged.

Academic integrity: Cheating and plagiarism are not tolerated. Any violation will be reported to the university. See <http://www.ust.hk/vpaa0/ug-guide/integrity/> for details.

Course outline (subject to adjustment if necessary except for the mid-term exam date)

30/01 Introduction and overview
01/02 Lecture 1
08/02 Lecture 1
13/02 Lecture 1
15/02 Lecture 1
20/02 Lecture 2
22/02 Lecture 2
27/02 Lecture 3
01/03 Lecture 4
06/03 Lecture 4
08/03 Lecture 5
13/03 Lecture 5
15/03 Lecture 5
20/03 Lecture 6

22/03 Lecture 7
27/03 *The midterm exam*
29/03 Lecture 7
03/04 Lecture 8
10/04 Lecture 8
12/04 Lecture 8
17/04 Lecture 9
24/04 Lecture 9
26/04 Lecture 10
03/05 Lecture Review
08/05 TBA

Lecture 1: Interest rate determination
Lecture 2: The equity price and risk premium
Lecture 3: The rate-of-return dominance puzzles
Lecture 4: Financial intermediation: the asymmetric-information analysis
Lecture 5: Banking and a liquidity-provision banking theory
Lecture 6: Government safety net, a balanced view
Lecture 7: Money, the central bank, and money supply process
Lecture 8: Conduct of monetary policy
Lecture 9: Monetary policy and foreign exchange rate
Lecture 10: Monetary Policy, fiscal policy, and inflation

Econ 4670

A student who intends to fulfill Econ 4670 requirement by writing an essay based on Econ 4334 must discuss with the instructor first about her/his plan and obtain a written permission from the instructor by April 15. The first draft should be submitted by June 5.