

**ECON 5360 Monetary Economics**  
Department of Economics  
Hong Kong University of Science and Technology  
(Spring 2020, Rm 1014, LSK Th 1:30-4:20)

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**Course Objectives**

This course studies the basic theories of money and their applications to monetary issues. It also examines a class of phenomena related to banking, credits and liquidity from monetary perspective.

**Intended Learning Outcomes**

1. Know the basic models for money. (PILO 1, 2)
2. Learn the models implications to various monetary policy issues. (PILO 1, 2)
3. Learn analyzing dynamic models. (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 performance of homework (15%) and the final exam (85%). Homework sets are done on the group base; groups are formed after the add-drop period is over.

**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 except for the mid-term exam date)

20/02 Introduction

27/02 Lecture 1

05/03 Lecture 2  
12/03 Lecture 3  
19/03 Lecture 4  
26/03 Lecture 5  
02/04 Lecture 6  
09/04 Lecture 7  
16/04 Lecture 8  
23/04 Lecture 9  
07/05 Lecture 10  
14/05 Lecture 11

Lecture 1: The classical dichotomy  
Lecture 2: Monetary policy, policy tools, and policy evaluation  
Lecture 3: Money in the OLG model  
Lecture 4: Money, price, and output  
Lecture 5: Coordination of fiscal and monetary policies  
Lecture 6: Payments and discount window policy  
Lecture 7: Dynamic programming  
Lecture 8: The Friedman rule  
Lecture 9: Money as a unit of account  
Lecture 10: Money as a medium of exchange  
Lecture 11: What really is money?

## 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.