

# ECON 5341

March/April 2021

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: Jeremy TO. Lecture format: Virtual/online.  
  
Lecture dates and times (all times local HK): Tue, 3/30, 18:00-21:00; Wed, 3/31, 18:00-21:00; Thu, 4/1, 18:00-21:00; Sat, 4/3, 13:00-17:00 and 18:00-21:00; Tue, 4/6, 13:00-17:00 and 18:00-21:00; Fri, 4/9, 18:00-21:00. Total: 26 hours.
2. **Course overview and global objectives.**
  - a. Understand real-world importance of monetary policy, financial system stability, and payments system policies for the performance of an economy.
  - b. Gain overview of how central banks—the institutions which design and implement these 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 inflation and 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. Fintech, bigtech, and cybersecurity challenges to payments systems and conduct of central banking. Potential for wholesale and retail central bank digital currencies (CBDCs).
  - i. International and open-economy aspects of monetary policy, multilateral aspects of central banking.
4. **Method of instruction.** The course is designed around a series of online 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.

5. **Textbook.** The main textbook for this course is *The Economics of Money, Banking, and Financial Markets* by Frederic S. Mishkin. The book has 6 main parts; read one part ahead of and in parallel with the lectures. Recommended reading sequence of the parts: 1, 3, 2, 4, 6, and 5.
6. **Assessment method.** Grades will be based primarily on students' performance in the take-home final exam, to be completed following the end of the course. The final exam will consist of writing two essays that address and analyze economic statements related to monetary policymaking and central banking. Above-average oral participation in classroom discussions will also positively affect students' grades.
7. **Policies and procedures.** The department's standard policies regarding academic conduct and misconduct apply. Students must complete the final exam on their own. Indications of illicit collaboration and outright copying will be investigated thoroughly and dealt with. Accommodations for students with disabilities will be made as needed.
8. **Guidelines for successful course completion.** The final exam is take-home. The final exam will consist of writing essays on two topics, chosen from a list of four topics provided by the instructor. A general remark: When writing an essay on just about *any* non-trivial topic in economics, there is usually no single "correct" answer. What matters, in terms of assessing the quality of the essays, 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 in the essay topic. Students should also make sure to provide and explain supporting arguments and pieces of evidence needed to bolster their main arguments. In contrast, the *length* of an essay (measured, say, by the number of words) is nearly irrelevant. When in doubt, students should give preference to brevity and conciseness.