

ECON 5360 Monetary Economics

Department of Economics
Hong Kong University of Science and Technology
(Spring 2021 Tu 3:00-5:50)

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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 (a) the *course work* and (b) *course participation*.

1. The course work consists of homework sets (20%) and the final exam (80%).
2. The course participation applies to 10 lectures from 16/02 to 27/04.¹ In case that you skip n of the 10 lectures and you can provide valid excuses for m skipped lectures, the penalty is to subtract $\max\{2(n - \max\{2, m\}), 0\}$ points from the course work.² Illness is taken as a valid excuse only if a doctor indicates by a written note that illness affects you to attend a lecture.

¹There is no count on participation for the first, second, and last lectures.

²If $n \leq 2$, then the penalty is zero even when you do not provide any excuse.

(2.1) When you intend to provide an excuse for a skipped lecture, the relevant document should be given to the instructor within two days after the lecture is over.

(2.2) When you attend a lecture by zoom, you should turn on video to be counted for participation—if your video is off for at least 25 minutes accumulatively during the lecture, then it will be treated as skipping the lecture.

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

Course outline

02/02 Introduction/Lecture 1

09/02 Lecture 1/Lecture 2

16/02 Lecture 3

23/02 Lecture 4

02/03 Lecture 5

09/03 Lecture 6

16/03 Lecture 7

23/03 Lecture 8/9

30/03 Lecture 10

(Break 31/03-06/04)

13/04 Lecture 11

20/03 Lecture 12

27/04 Lecture 12

04/05 TBA

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?

Lecture 12: Money, price, and output, revisited

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.