

Money and Banking (Econ 3410B) 2022-2023 Term 2

Instructor: Prof. LIN Shu

Time: MO 14:30-16:15

WE 13:30-14:15

Office Hours: by appointment

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TA: TBC

COURSE DESCRIPTION

The course studies the role that money, central banks, and financial intermediaries play in the operation of the macro-economy. It covers topics on basic monetary theory, central banking and monetary policies, and the financial system of a country. The aim of the course is to give students an overview of the financial markets and a solid understanding of the above topics.

REQUIRED TEXT

The Economics of Money, Banking, and Financial Markets, 12th Edition, by Frederic S. Mishkin.

BLACKBOARD

Course materials, including syllabus, homework assignments, handouts, etc., will be uploaded to Blackboard.

GRADING POLICY

There will be **three homework assignments, one quiz, and one comprehensive final exam**. Each homework or quiz will account for 10% of your total grade. Students are required to complete the homework independently and turn in the completed assignments by the specified deadlines. Student will take the **OFFLINE** quiz on March 27, 2023 during class time. The duration of the quiz is 45 minutes. The **COMPREHENSIVE** final will account for 60% of the total grade and will be conducted **OFFLINE**. Final Exam date and venue are set by the university and will be announced in class.

My grading system is transparent. Your grade will be assigned completely based on your actual performance. You are welcome to ask about your grade standing at any time. Unless your grade is miscalculated, please do not ask me to change your grade after an exam. I would refuse to do so for any other reason. I can only help you to improve your grades before you take the exam.

MAKE-UP POLICY

No late homework assignment will be accepted. No makeup assignment or quiz will be administered. **If you miss a homework assignment due to an emergency, such as COVID infection, I will reweight your other homework assignments if you can provide the proof documents. For example, if you miss a homework assignment due to COVID infection, I will adjust the weight of the total score of your other two homework assignments from 20% to 30%.**

If you miss the quiz due to an emergency, I will reweight your final exam weight from 60% to 70% if you can provide the proof documents.

If you miss the final due to an emergency and the necessary proof documents, a make-up final will be administrated by the University.

GRADE DESCRIPTORS

A / A-	Outstanding/Generally outstanding performance on all learning outcomes.
B+ / B / B-	Substantial performance on all learning outcomes, OR high performance on some learning outcomes which compensates for less satisfactory performance on others, resulting in overall substantial performance.
C+ / C / C-	Satisfactory performance on the majority of learning outcomes, possibly with a few weaknesses.
D+ / D	Barely satisfactory performance on a number of learning outcomes
F	Unsatisfactory performance on a number of learning outcomes, OR failure to meet specified assessment requirements.

TUTORIALS

There will be 3 TA-led tutorials following each homework assignment.

CLASS PARTICIPATION

This is your education! I have generally found that students who come to all the classes make A's and students who skip out all the time make D's and F's.

Please be adult, be responsible, be respectful and be kind in the classroom.

This includes:

1. Come to class on time and stay to the end. If you must leave early, let me know at the beginning of the class and leave quietly. If you get here late, enter quietly.
2. Don't chat during the lectures. This is a distraction to those of us who are engaged in learning.
3. Be respectful of others who may have different views and backgrounds than your own. Do not use derogatory or vulgar language in the classroom. It is the University's policy that students attending classes should be well taken care of. Since all students have the

right to attend classes, those students who have chosen not to attend classes should respect the wish of others who want to attend classes.

4. Turn off your cell phone or put it in vibration/silent mode.
5. **Wear a MASK in the classroom!**

Note: If you miss a lecture, it is your own responsibility to get notes from a classmate. I do not repeat lectures during office hours.

HONESTY IN ACADEMIC WORK

The Chinese University of Hong Kong places very high importance on honesty in academic work submitted by students and adopts a policy of *zero tolerance* on cheating in examinations and plagiarism. Any related offence will lead to disciplinary action including termination of studies at the University.

Attention is drawn to University policy and regulations on honesty in academic work, and to the disciplinary guidelines and procedures applicable to breaches of such policy and regulations. Details may be found at

<http://www.cuhk.edu.hk/policy/academichonesty/>.

SUCCESSFUL STUDENT STRATEGIES

1. Attend each class.
2. Read text before class.
3. Ask questions, when material is unclear.
4. Review notes and text after class.
5. Do all the homework assignments and study in advance of the exam.

TENTATIVE COVERAGE OF TOPICS

Part I. Money and Interest Rates (Weeks 1-3)

1. What Is Money (Chapter 3)
2. The Meaning of Interest Rates (Chapter 4)
3. The Behavior of Interest Rates (Chapter 5)
4. The Risk and Term Structure of Interest Rates (Chapter 6)

Part II. Central Banking, Money Supply, and Monetary Policy (Weeks 4-6)

1. Central Banking and Money Supply Process (Chapters 14 and 15)
2. Tools of Monetary Policy (Chapter 16)
3. The Conduct of Monetary Policy: Strategy and Tactics (Chapter 17)
4. Lender of Last Resort: A Simple Illustration of Bank Runs (Online Materials)

Part III. Monetary Policy in an Open Economy (Weeks 7-10)

1. The Foreign Exchange Market and the Exchange Rates (Chapter 18)
2. Exchange Rate Regimes and the International Financial System (Chapter 19)

3. Monetary Policy in an Open Economy: The Case of Hong Kong (Online Materials)

Part IV. Monetary Theory (Weeks 11-13)

1. Money Demand Theory (Chapter 20)
2. Deriving the IS and the MP Curves (Chapters 21-22)
3. The AD and AS Framework (Chapters 22-23)
4. Monetary Policy Theory (Chapters 24-26)

Note: The instructor reserves the right to make changes to the syllabus, including but not limited to the teaching mode arrangement and the test date, when unforeseen circumstances occur. These changes will be announced as early as possible so that students can adjust their schedules.