Course Description

This is a course in money and banking at the masters or first-year graduate level. It discusses the role of money and the banking system in the economy and how they affect aggregate economic activity like inflation, interest rates and output growth. Topics include theories of money demand and supply, theories of interest rates, issues related to conduct of monetary policy, such as targets and indicators, rules versus discretion, time inconsistency, credit market imperfections, banking crisis, bank regulation, deposit insurance, among many others.

Course Objectives

This is a course in money and banking (or monetary economics) at the masters or first-year graduate level. Given that money and banking is one of the oldest fields in economics and also its rapid developments in recent years, this one-semester course is unlikely to cover all the major topics in this area. Furthermore, as the course description indicates, many topics in monetary economics are also covered in other courses in this graduate program such as Macroeconomic Theory, Monetary Policy and Selected Topics in Macroeconomics. Against this background, the coverage in this course has to be selective. More importantly, our emphasis is on the key economic concepts and ideas rather than on the mathematical and econometric techniques involved in the selected topics. The course objectives are:

(1) to bridge the gap of knowledge of money and banking at the undergraduate level and the advanced graduate level;

(2) to provide a systematic and rigorous analysis of the selected topics in money and banking;

(3) to offer a solid understanding of the underlying economic intuitions and ideas of the selected topics; and

(4) to introduce some perspectives, besides the mainstream views.
**Intended Learning Outcomes**

Upon completion of this course, students are expected to:

1. have adequate knowledge of the theories and analytic skills in money and banking at the graduate level;

2. form a solid understanding of the underlying economic intuitions and ideas of the selected topics;

3. be more prepared for advanced courses in the field which are more abstract and technically oriented;

4. to have the knowledge and analytical skills to understand the banking system and to apply them to deal with real-world issues in the private or public sector.

**Alignments of Program and Course ILOs**

<table>
<thead>
<tr>
<th>Program ILOs</th>
<th>Course ILOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLO1. Understanding of fundamental theories and new development in economics</td>
<td>ILO1, ILO2, ILO3</td>
</tr>
<tr>
<td>PLO2. Mastering of skills in analyzing economic data</td>
<td>ILO1</td>
</tr>
<tr>
<td>PLO3. Demonstration of ability to apply economics knowledge and analytical skills to address policy and business problems</td>
<td>ILO4</td>
</tr>
</tbody>
</table>

**Assessment**

The course evaluation is tentatively based on the following components:

- Assignments: 20%
- Mid-term Test: 30%
- Final Examination: 50%

There are tentatively about four assignments, each carrying equal weight and to be submitted biweekly. The mid-term test scheduled will be advised in due course. If a student is unable to write the mid-term test for legitimate reasons, the weight will be transferred to the final examination. The final examination is a comprehensive examination and it is to be scheduled by the University.
Assessment and Course ILOs

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Course ILOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignments</td>
<td>ILO1, ILO2, ILO3, ILO4</td>
</tr>
<tr>
<td>Mid-term Test</td>
<td>ILO1, ILO2, ILO3, ILO4</td>
</tr>
<tr>
<td>Final Examination</td>
<td>ILO1, ILO2, ILO3, ILO4</td>
</tr>
</tbody>
</table>

Course Schedule

The following is a tentative schedule, and this schedule serves as a rough guide only. We do not have to follow it rigidly and we can be flexible depending on various factors such as the background, interest and progress of the class. Some topics are expected to take up more class time than the others. Nevertheless, students can refer to the schedule as a guide in case they miss a class or two for one reason or another. Given limited class time, not all topics are necessarily covered in detail in class and students are expected to read the assigned readings themselves.

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
<td>Ch.1</td>
</tr>
<tr>
<td>2</td>
<td>The Quantity Theory of Money Tradition</td>
<td>Ch. 2</td>
</tr>
<tr>
<td>3</td>
<td>Theories of Money Demand</td>
<td>Chs. 4, 5, 6</td>
</tr>
<tr>
<td>4</td>
<td>Theories of Money Supply Determination</td>
<td>Ch. 10</td>
</tr>
<tr>
<td>5</td>
<td>Theory and Practice of Central Banking: Goals, Targets and Indicators</td>
<td>Chs. 10,11</td>
</tr>
<tr>
<td>6</td>
<td>Rules vs Discretion, Time Inconsistency &amp; Central Bank Independence</td>
<td>Ch. 12</td>
</tr>
<tr>
<td>7</td>
<td>Theories of Interest Rate Determination and Interest Rate Structures</td>
<td>Chs. 19, 20</td>
</tr>
<tr>
<td>8</td>
<td>Credit Market Imperfections and Theories of Banking Firms</td>
<td>Ch. 16</td>
</tr>
<tr>
<td>9</td>
<td>Money, Finance and Economic Growth</td>
<td>Ch. 24</td>
</tr>
<tr>
<td>10</td>
<td>Banking Crises and Regulation</td>
<td>TBA</td>
</tr>
<tr>
<td>11, 12</td>
<td>Selected topics in Money &amp; Banking (if time permits)</td>
<td>TBA</td>
</tr>
</tbody>
</table>

The listed chapters in the above time table refer to the chapters in the core textbook. They are by no means exhaustive and will be supplemented by lecture notes, handouts, and journal articles whenever deemed necessary and appropriate. A more detailed reading list including the relevant
journal articles, chapters from other reference books, etc., will be posted to the course web page before the beginning of the semester. We will also refer to the required journal articles for each topic in class.

Textbooks and Readings

The core textbook for this course is:


For students who have no prior exposure to money and banking or monetary economics, or those who want to refresh their knowledge in this area, they may find the following standard undergraduate textbook useful:


For those students who aim at further specializing in monetary economics and also more rigorous expositions of the topics in this area, they should find the following advanced textbooks useful:


Besides the above textbooks, the readings are supplemented by lecture notes, handouts, and journal articles whenever deemed necessary and appropriate. We will also refer to the required journal articles for each topic in class.

Appendix: List of topics to be covered and required readings

1. Introduction
   Handa, Chapter 1

2. The Quantity Theory of Money Tradition
   Handa, Chapter 2

3. Theories of Money Demand
   Handa, Chapters 4, 5 & 6

4. Theories of Money Supply Determination
   Handa, Chapter 10
5. Theory and Practice of Central Banking: Goals, Targets and Indicators
   Handa, Chapters 10 & 11

6. Rules vs Discretion, Time Inconsistency & Central Bank Independence
   Handa, Chapter 12

7. Theories of Interest Rate Determination and Interest Rate Structures
   Handa, Chapter 19, 20

8. Credit Market Imperfections and Theories of Banking Firms
   Handa, Chapter 16

9. Money, Finance and Economic Growth
   Handa, Chapter 24

10. Banking Crises and Regulation

11. Selected topics in Money & Banking (if time permits)
    To be determined, depending on interest of the class. These may include central banking versus free banking, and/or recent developments in the discipline such as subprime mortgage crisis, quantitative easing, to name just a few.