

**THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS**

**ECON 3222 Monetary Economics
Semester 1, 2021-22**

GENERAL INFORMATION

I. Lectures

Subclass	Time	Venue
1A	Monday 3:30pm – 5:20pm	JLG 03
	Thursday 3:30pm – 4:20pm	

II. Instructor and Teaching Assistant

Instructor	
Name	Dr. Ho Chi Pui
Office	KK 406
E-mail	chipuiho@hku.hk
Office hours	Monday 6:00pm – 7:00pm
	Tuesday 5:00pm – 6:00pm
	Friday 3:00pm – 5:00pm

Teaching Assistant	
Name	Terrence Mak
Office	KK 1026
E-mail	tmch@hku.hk

III. Pre-requisites

This course is designed for senior students with a major in Economics and have a strong interest in monetary policies. The pre-requisite of the course is ECON 2102/2220 Intermediate Macroeconomics.

IV. Textbook

Recommended Textbook

Mishkin, Frederic (2019). *The Economics of Money, Banking and Financial markets, Twelfth Edition*, Pearson.

Another Useful Reference

Abel, Andrew B., Bernanke, Ben S., and Croushore, Dean (2021). *Macroeconomics, Tenth Edition*, Pearson.

V. Course Moodle: ECON3222_1A_2020

COURSE DESCRIPTION

The course provides an introduction to monetary theory, to the effects of monetary variables on the macroeconomic system, the role of the central bank and the conduct of monetary policy. Subjects covered include: The nature and function of money; The behavior of interest rates; The money supply process; Central banking and the conduct of monetary policy; Quantity theory, Inflation, and the demand for money; Aggregate demand and aggregate supply analysis; Monetary Policy Theory. Additional topics like financial crises in advanced and emerging economies might also be introduced.

COURSE OBJECTIVES

To help students:

1. understand the structure and evolution of the major components of the financial system, including money, bonds, interest rates, etc.;
2. develop coherent frameworks to study monetary policies: their goals and tools, transmission mechanisms, effectiveness and limitation;
3. use economic theory to understand the causes and consequences of monetary policy decisions.

COURSE LEARNING OUTCOMES**Course Learning Outcomes****Aligned Faculty Goals**

Upon completion of the course, students should be able to:

CLO1 understand the structure and evolution of the major components of the financial system, including money, bonds, interest rates, etc.;

1, 2, 3, 6

CLO2 develop coherent frameworks to study monetary policies: their goals and tools, transmission mechanisms, effectiveness and limitation;

1, 2, 3, 6

CLO3 use economic theory to understand the causes and consequences of monetary policy decisions.

1, 2, 3, 6

* Notes on Faculty Learning Goals:

FLG1: Acquisition and internalization of knowledge of the programme discipline

FLG2: Application and integration of knowledge

FLG3: Inculcating professionalism

FLG4: Developing global outlook

FLG5: Mastering communication skills

FLG6: Cultivating leadership

COURSE TEACHING AND LEARNING ACTIVITIES		
Course Teaching and Learning Activities	Expected contact hour	Study Load (% of study)
T&L1. Lectures*	36	30%
T&L2. Homework	24	20%
T&L3. Self-Study	60	50%
Total	120	100%
<p><i>*Tutorials</i> <i>There will be no regular tutorial for the course. Special Tutorials might be arranged if necessary.</i></p>		
Assessment Methods	Weight	Aligned Course Learning Outcomes
A1. Homework (Group assignments; maximum 4 students per group)	15%	1, 2, 3
A2. Term Test (25 October, 2021 (Monday)): the tentative time period is roughly during our class time (15:30 – 17:00), exact time will be announced during the semester	25%	1, 2, 3
A3. Final Exam (time and date will be arranged by the University)	60%	1, 2, 3
Total	100%	
<p><u>COURSE POLICIES</u></p> <ul style="list-style-type: none"> <u>Keeping up with the lectures</u> <p>Lecture notes will be posted in course moodle.</p> <p>To do reasonably well in the course, you have to make an effort to keep up with the lecture materials on a regular basis. From past experience, students who do not keep up with the lectures on a regular basis tend to perform poorly or even fail the course. Therefore, <u>we do not recommend you to take this course if you do not intend to work hard to keep up with the lectures on a regular basis.</u></p>		

- Term Test and Final Exam

- ✓ You will need a calculator for the term test and the final exam.

- ✓ The final exam is cumulative.

- ✓ There will be NO make-up for the term test.

If you do not attend the test, you will automatically get zero mark for the test.

However, if there is a legitimate medical reason that you miss the test, you will need to inform the teacher or the teaching assistant and provide medical certificate within 72 hours of the test. In such case, the weight of the term test will be allocated to the final exam. Nonetheless, you should note that the final exam will be more difficult than the term test. Therefore, even if you were allowed to transfer the weight of the term test to the final exam, you would put yourself into a disadvantaged position. From past experience, students who missed the term tests tend to perform poorly in the course.

- ✓ If you cheat in any of the term test or the final exam, you will get zero mark for the test or the final exam.

- ✓ For the University regulations regarding the final exams, please refer to the Examinations Unit of HKU.

STANDARDS FOR ASSESSMENT

Course Grade Descriptors

A+, A, A-	Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesize
B+, B, B-	Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesize
C+, C, C-	Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning such as describe and apply but not at high levels of learning such as to evaluate and synthesis
D+, D	Evidence of basic familiarity with the subject
F	Little evidence of basic familiarity with the subject

Assessment Rubrics for Each Assessment

Performance Level	Assessment Rubrics for Homework, Term Test and Final Exam
Outstanding A+, A, A-	Answers to all or almost all of the questions: (a) provide correct analysis of all the issues raised by the question, and (b) are presented in a clear and logical manner.
Proficient B+, B, B-	Answers to most of the questions: (a) provide correct analysis of the main issues raised by the question, and (b) are presented clearly. And for the rest of the questions, most of the answers provide some reasonable analyses of the main issues raised by the questions.
Competent C+, C, C-	Answers to the majority of the questions provide correct analysis of the main issues raised by the question. And for the rest of the questions, some of the answers provide reasonable analyses of some of the issues raised by the questions.
Adequate D	Answers to the majority of the questions provide reasonable analysis of the main issues raised by the questions.
Failure F	Few of the answers provide reasonable analysis of the main issue raised by the questions

COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

TOPICS

I. Introduction

- A. Why Study Money, Banking, and Financial Markets (Ch.1)
- B. What is Money? (Ch.3)

II. Financial Markets

- A. The Meaning of Interest Rates (Ch.4)
- B. The Behavior of Interest Rates (Ch.5)
- C. The Risk and Term Structure of Interest Rates (Ch.6)

III. Central Banking and the Conduct of Monetary Policy

- A. The Money Supply Process (Ch.15)
- B. Tools of Monetary Policy (Ch.16)
- C. The Conduct of Monetary Policy: Strategy and Tactics (Ch.17)

IV. Monetary Theory

- A. Quantity Theory, Inflation, and the Demand for Money (Ch.20)
- B. The IS Curve (Ch.21)
- C. The Monetary Policy and Aggregate Demand Curves (Ch.22)
- D. Aggregate Demand and Supply Analysis (Ch.23)
- E. Monetary Policy Theory (Ch.24)
- F. The Role of Expectations in Monetary Policy (Ch.25)
- G. Transmission Mechanisms of Monetary Policy (Ch.26)

V. Financial Crisis (if time allows)

- A. Financial Crises in Advanced Economies (Ch.12)
- B. Financial Crises in Emerging Economies (Ch.13)

#The basic reference from the suggested textbook is listed above and it is based on the twelfth edition of the book.