

ECON 3410A MONEY AND BANKING

Chinese University of Hong Kong

Fall 2018

Course Information: ECON3410A Money and Banking

Course time and locations: Thursdays, 2:30pm-5:15pm, Esther Lee Building LT1

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Course Description:

This course offers an analysis of money, banking, and financial markets, with emphasis on interactions between the financial system (in terms of its institutions and instruments) and the macroeconomy. We aim to cover a broad range of topics, including the workings of banks and the banking sector, money supply and the roles of central banks, bank runs and financial crises, and international banking and foreign exchange markets. At the end of the course, students are expected to (1) have working knowledge of financial markets and their functions, (2) understand the rationales for banking and financial regulation and supervision, (3) grasp the linkages between the financial system and the macroeconomy, and (4) be able to analyze current events using tools provided in class.

Reading Materials:

Required:

- Mishkin, Frederic. *The Economics of Money, Banking, and Financial Markets*. Prentice Hall, 11th ed. 2015.

Suggested:

- Ahamed, Liaquat. *Lords of Finance: The bankers who broke the world*. Random House, 2009.
- Ferguson, Niall. *The ascent of money: A financial history of the world*. Penguin, 2008.
- Gorton, Gary. *Misunderstanding financial crises: Why we don't see them coming*. Oxford University Press, 2012.
- Kindleberger, Charles P., and Robert Z. Aliber. *Manias, panics and crashes: A history of financial crises*. Palgrave Macmillan, 2011.
- And others as posted on the eLearning system.

Exams and Grading:

The final grade for the course will be determined by the following factors:

	Weight	Date	Nature
Midterm (01)	35%	TBA	In-class, closed-book, consisting of multiple-choice questions, short-answer questions, and essay/analytical questions
Final (01)	35%	Centrally Arranged	In-class, closed-book, comprehensive, in a similar format to the midterm (but longer)
Group Report (01)	30%	Report due December 02	See Description Below

Note:

- There will be no make-up exam for the midterm. The percentage weight of the missed midterm will be shifted to the final.
- If you miss the final, the availability of a make-up exam will be determined on a case-by-case basis. The make-up exam, if available, will be scheduled by the department.
- Students can only miss an exam with an appropriate excuse, such as experiencing health-related issues or observing religious holidays. A notification must be made in advance. All excuses are subject to verifications by proper documents, to be submitted to me within one week after the exam.
- Students must present their University Photo ID in order to take part in exams.

Group Report (GR):

The GR is a chance for students to reflect and apply their understanding of materials that have been discussed in class. Unlike the midterm and final that aim to test students' grasp of general concepts, theoretical (but simplified) models, and representative events, the GR requires each group to analyze a specific crisis in its historical context, with special attention given to its connection to money and banking, and showcase their understandings in oral and written formats. Details of the requirements, preparations, and evaluations are as follows.

Topics:

Students are encouraged to analyze one of the following crises (NOT AN EXHAUSTIVE LIST):

- The Panic of 1907 in the US
- The 1929-33 Banking Panics in the US
- The (current) Eurozone Crisis
- The (current) Greek Crisis
- The 2001/02 Argentine crisis
- Hyperinflation - Weimar Republic 1921-24
- The Savings and Loan Crisis in the US (1970s, 80s and 90s)

Students are also strongly encouraged to find other topics.

Topics are available on a first-come-first-serve basis. Final topic assignments will be determined by the instructor.

Groups:

- Each group will consist of 4-6 people. Students are free to form their own groups. After a certain date, students who have not joined any group will be randomly grouped together.
- After forming a group, all members should work together and pick a topic before the given deadline. Afterwards, all groups that have not selected a topic will be randomly assigned one.
- Each group will have a designated TA. All members are expected to meet together with the TA on at least two occasions for progress updates.

Report:

For the first part--Report, each group must submit a 750-word essay analyzing the assigned topic. The report is due at the end of the course.

The report should **at least** address the following questions:

- What is the historical context of the crisis (political and economic settings, the presence/absence of a central bank, the nature of the existing money and banking system)?
- What were the leading causes, main events, and policy responses?
- What was the significance/impact of the crisis (economic recession and recovery, financial stability, social costs of the crisis)?
- Why did the policy responses succeed/fail in preventing the spread of the crisis?
- What would you (the team) have done differently?

Evaluations:

The grade for the GRP will consist of two components:

- In-group evaluations of individual contribution (35%): After submitting the report, each member of the group will be asked to fill in an **anonymous** evaluation of all members of his/her group, including him/herself. The evaluation will focus on determining each member's contribution to the final report.
- Instructor's evaluation (65%): The instructor and the TAs will together score each group based on the group's report.

Academic Honesty and Related Procedures

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/>.

With each assignment, students will be required to submit a signed declaration that they are aware of these policies, regulations, guidelines and procedures.

- In the case of group projects, all students of the same group should be asked to sign the declaration, each of whom is responsible and liable to disciplinary actions should there be any plagiarized contents in the group project, irrespective of whether he/she has signed the declaration and whether he/she has contributed directly or indirectly to the plagiarized contents.

- For assignments in the form of a computer-generated document that is principally text-based and submitted via VeriGuide, the statement, in the form of a receipt, will be issued by the system upon students' uploading of the soft copy of the assignment.

Assignments without the properly signed declaration will not be graded by teachers.

Only the final version of the assignment should be submitted via VeriGuide.

The submission of a piece of work, or a part of a piece of work, for more than one purpose (e.g. to satisfy the requirements in two different courses) without declaration to this effect, shall be regarded as having committed undeclared multiple submission. It is common and acceptable to reuse a turn of phrase or a sentence or two from one's own work; but wholesale reuse is problematic. In any case, agreement from the course teacher(s) concerned should be obtained prior to the submission of the piece of work.

Tentative Schedule

Lecture	Date	Topic	Chapter
1	Sep 06	Introduction the course; An overview of the financial system	1, 2
2	Sep 13	Money and Central Banks	3
3	Sep 20	Interest rates, behaviors, risk/term structure	4, 5, 6
4	Sep 27	Asymmetric information in the financial system	8
5	Oct 4	Banks and the business of banking	9, 11
6	Oct 11	Banking regulation + Midterm Review	10
7	Oct 18	Money and Monetary Theories	14, 15, 20
8	Oct 25	Midterm (Up to lecture 6)	
9	Nov 1	Monetary policy: Objectives, tools, and strategies	16, 17
10	Nov 8	Monetary policy: From an international perspective	18, 19
11	Nov 22	Financial Crises: Mechanics and Responses	12, 13
12	Nov 29	Global Financial Crisis	
13	TBA	Review for the Final	