

**City University of Hong Kong
Course Syllabus**

**offered by Department of Economics and Finance
with effect from Semester A 2017/18**

Part I Course Overview

Course Title: Money and Banking

Course Code: EF4431

Course Duration: 1 semester

Credit Units: 3

Level: B4

Proposed Area:
(for GE courses only)

Arts and Humanities

Study of Societies, Social and Business Organisations

Science and Technology

Medium of Instruction:

English

Medium of Assessment:

English

Prerequisites:
(Course Code and Title)

CB2400 Microeconomics
CB2402 Macroeconomics

Precursors:
(Course Code and Title)

Nil

Equivalent Courses:
(Course Code and Title)

Nil

Exclusive Courses:
(Course Code and Title)

Nil

Part II Course Details

1. Abstract

This course covers the key issues in the theory and practice of money, financial markets, banking, and monetary policy. It starts with the microeconomic analysis of money and financial intermediation, examining how banks and other financial intermediaries have evolved over time and formalizing the core features of their operation. The course then proceeds to the macroeconomic aspects of money and banking, examining in detail the goals, targets, and transmission mechanisms of monetary policy conducted by central banks, as well as the nature of financial crises and the role of government regulation of financial markets.

2. Course Intended Learning Outcomes (CILOs)

(CILOs state what the student is expected to be able to do at the end of the course according to a given standard of performance.)

No.	CILOs [#]	Weighting* (if applicable)	Discovery-enriched curriculum related learning outcomes (please tick where appropriate)		
			A1	A2	A3
1.	Recognize the main elements of the financial system and describe the roles of banks and other financial institutions in this system.		√		
2.	Critically analyse and discuss pertinent monetary and financial issues, including the interpretation of data in the context of the theoretical models.		√	√	√
3.	Evaluate the theories on the goals, effectiveness, and transmission mechanisms of monetary policy.		√	√	
		100%			

* If weighting is assigned to CILOs, they should add up to 100%.

[#] Please specify the alignment of CILOs to the Gateway Education Programme Intended Learning outcomes (PILOs) in Section A of Annex.

A1: Attitude

Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability

Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments

Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

3. Teaching and Learning Activities (TLAs)

(TLAs designed to facilitate students' achievement of the CILOs.)

TLA	Brief Description	CILO No.			Hours/week (if applicable)
		1	2	3	
Lectures	<ul style="list-style-type: none"> Highlight key concepts and theories in money and banking. Demonstrate the usage of real world data and economic theory to analyse and evaluate current monetary issues, with an aim to foster critical thinking and evidence-based reasoning. 	√	√	√	
Homework	Homework assignments will be integrated with FRED – the free, online database that covers the macroeconomic data of about 200 countries. Students will be asked to conduct individual and collaborative research on current monetary issues using real world data.	√	√	√	
In-class questions	Auto-graded, instant feedback, online questions will be conducted in class with an aim to keep the students abreast with the progress.	√			

4. Assessment Tasks/Activities (ATs)

(ATs are designed to assess how well the students achieve the CILOs.)

Assessment Tasks/Activities	CILO No.			Weighting*	Remarks
	1	2	3		
Continuous Assessment: 50%					
In-class online questions	√			15%	
Homework assignments	√	√	√	35%	
Examination: 50% (duration: 2 hours, if applicable)					
Final exam	√	√	√	50%	
				100%	

* The weightings should add up to 100%.

5. Assessment Rubrics

(Grading of student achievements is based on student performance in assessment tasks/activities with the following rubrics.)

Assessment Task	Criterion	Excellent (A+, A, A-)	Good (B+, B, B-)	Fair (C+, C, C-)	Marginal (D)	Failure (F)
1. Examination	Knowledge of subject matter; Ability to analyse and critically evaluate money and banking issues based on empirical evidence and economic theory;	Strong evidence of original thinking; good organization, capacity to analyse and synthesize; superior grasp of subject matter; evidence of extensive knowledge base.	Evidence of grasp of subject, some evidence of critical capacity and analytic ability; reasonable understanding of issues; evidence of familiarity with literature.	Adequate knowledge of subject matter; some evidence of critical capacity and analytic ability, albeit minor inaccuracies in the work.	Basic knowledge of subject matter ; some, but limited, evidence of critical capacity and analytic ability.	Insufficient knowledge of subject matter; weakness in critical and analytic skills.
2. In-class online questions	Knowledge of subject matter.	Superior grasp of subject matter; evidence of extensive knowledge base.	Good knowledge of subject matter; evidence of familiarity with literature.	Adequate knowledge of subject matter.	Some knowledge of core concepts.	Insufficient knowledge of core concepts.

Assessment Task	Criterion	Excellent (A+, A, A-)	Good (B+, B, B-)	Fair (C+, C, C-)	Marginal (D)	Failure (F)
3. Homework assignments	<p>Knowledge of subject matter;</p> <p>Ability to analyse and evaluate money and banking issues based on empirical evidence and economic theory;</p> <p>Capacity to process and analyse data from FRED database and integrate them into the analysis of money and banking issues.</p>	<p>Strong evidence of original thinking; good organization, capacity to analyse and synthesize; superior grasp of subject matter; evidence of extensive knowledge base.</p>	<p>Evidence of grasp of subject; some evidence of critical capacity and analytic ability; good understanding of issues; evidence of familiarity with literature and data.</p>	<p>Adequate knowledge of subject matter and data; some evidence of critical capacity and analytic ability, albeit minor inaccuracies in the work.</p>	<p>Basic knowledge of subject matter and data; some, but limited, evidence of critical capacity and analytic ability.</p>	<p>Insufficient knowledge of subject matter and data; weakness in critical and analytic skills.</p>

Part III Other Information (more details can be provided separately in the teaching plan)

1. Keyword Syllabus

1.1 Money and the Financial System

- Money: Definition, Functions, and Measurement.
- Financial Instruments, Markets, and Institutions
- Interest rates, Risk, Term Structure, and Rational Expectation

1.2 Banking

- The Economics of Financial Intermediation
- Bank Management: Liquidity, Reserves, and Capital Adequacy
- Banking Industry: Structure and Competition
- Asymmetric Information, Moral Hazard, and Bank Regulation

1.3 Central Banks, Monetary Policy, and Financial Stability

- The Structure of Central Banks
- Multiple Deposit Creation and the Money Supply Process
- Determinants of the Money Supply
- Hong Kong's Currency Board Monetary System
- Nominal Anchor, Exchange Rate Targeting, and Inflation Targeting
- Transmission Mechanisms of Monetary Policy
- Financial Crises, Bank Panics, and Regulations

2. Reading List

2.1 Compulsory Readings

(Compulsory readings can include books, book chapters, or journal/magazine articles. There are also collections of e-books, e-journals available from the CityU Library.)

1.	Cecchetti, S. and Schoenholtz, K. (2014) Money, Banking and Financial Markets. 4 th edition. McGraw-Hill.
2.	Mishkin, F. (2012) The Economics of Money, Banking, and Financial Markets. 10 th edition. Prentice Hall.
3.	Hong Kong Monetary Authority (2005) Hong Kong's Linked Exchange Rate System. 2 nd edition. www.hkma.gov.hk

2.2 Additional Readings

(Additional references for students to learn to expand their knowledge about the subject.)

1.	Allen, F. and Gale, D. (2007) Understanding Financial Crises. Oxford University Press.
2.	Bank of England (2012) The Transmission Mechanism of Monetary Policy. www.bankofengland.co.uk
3.	Berger, A., Molyneux, P. and Wilson, O. (2014) The Oxford Handbook of Banking. 2 nd edition. Oxford University Press.
4.	Hong Kong Monetary Authority (2010) Banking Supervision in Hong Kong. 2 nd edition. www.hkma.gov.hk
5.	Hong Kong Monetary Authority (2013) Financial Infrastructure in Hong Kong. 2 nd edition. www.hkma.gov.hk
6.	Thakor, A. and Boot, A. (2008) Handbook of Financial Intermediation and Banking. Elsevier.
7.	Yam, J. (1998) A Modern Day Currency Board System. Hong Kong Monetary Authority. www.hkma.gov.hk