

Lingnan University
Department of Economics

Course Title	:	Money and Banking
Course Code	:	ECO4217
Recommended Study Year	:	3 and 4
No. of Credits/Term	:	3
Mode of Tuition	:	Lecture-Tutorial
Class Contact Hours	:	2-hour lecture per week 1-hour tutorial per week
Category in Major Prog.	:	Major in Economics (Elective Course), Major in GEB (Required Course)
Discipline	:	Economics
Prerequisite(s)	:	(a) ECO2101 Introduction to Economics, or (b) ECO2104 Introduction to Microeconomics and ECO2105 Introduction to Macroeconomics, or (c) BUS2105 Microeconomics for Business, and ECO3202 Intermediate Macroeconomics
Co-requisite(s)	:	N/A
Exclusion(s)	:	N/A
Exemption Requirement(s)	:	N/A

Course Description

This course focuses on the roles and functions of money and banking in the economy. It provides students with the knowledge to better understand the working and the regulation of the banking industry as well as the conduct of monetary policy. Students will learn how money is multiplied and supplied through the banking system. Examples from Hong Kong, Chinese Mainland, and the United States will be used to illustrate the concepts introduced and the principles taught.

Aims

This course stresses the economic way of thinking by providing a unifying analytic framework for the study of money, banking, and financial markets using a few basic economic principles. Students will be reminded of the need to test theoretical analysis with empirical data.

Learning Outcomes (LOs)

Upon completion of this course, successful students should be able to:

1. use a unifying analytical framework to study money and banking with a few basic economic principles;
2. identify the interconnection of the banking and financial system and the economy;
3. explain the money supply process --- how money supply is created and controlled;
4. assess the impacts of money growth on the economy in both the short run and long run; and
5. formulate an interpretation of economic news and events concerning money and banking.

Indicative Contents

- I. Introduction
 - The role of money and banking in the modern economy
- II. Financial markets and interest rates
 - a. Interest rates: meanings and measurements
 - b. Allocation of wealth: the theory of asset demand
 - c. Theories of interest rate determination
- III. Money and banking
 - a. The banking firm: operation and management
 - b. Banking industry: structure and competition
 - c. Economic analysis of banking regulation
 - d. The banking system and money supply
 - e. Central banking and the tools of monetary policy
- IV. Money and the Economy
 - a. The demand for money
 - b. Money and output: the IS/LM model
 - c. Money and prices: the AD/AS model
- V. Transmission mechanisms of monetary policy
 - a. Conduct of monetary policy: goals and targets
 - b. Timing and effects of monetary policy

Teaching Method

This course is lecture-tutorial based, consisting of one 2-hour lecture and one 1-hour tutorial per week. Students are expected to actively participate in class discussion that aims to stimulate students to give critical and analytical responses to the readings and current events concerning money and banking from different perspectives.

Assessment

Continuous assessment	:	100%	
		in-class quizzes	- 15%,
		1st mid-term test	- 35%,
		2nd mid-term test	- 35%,
		project report	- 15%

Measurement of Learning Outcomes

1. Students' understanding of economic principles and the framework to study money and banking will be continuously assessed in the in-class quizzes. (LOs 1-4)
2. The project report is designed to assess student's understanding of lectures and assigned readings. Case discussions on up-to-date headline news with data and diagrams will assess students' understanding and synthesis of knowledge and its application to analyse the current economic situation concerning money and banking. (LOs 1-5)
3. Two midterm tests will assess students' overall understanding of the contents covered. Students are required to identify and critically analyse the key issues in the banking system and monetary policy. Examination questions are composed of multiple-choice and analytical questions. Multiple-choice questions will cover a wide range of topics in order to test students' broad knowledge. Analytical questions are given to test students' deep knowledge on some specific topics. (LOs 1-4)

Good Practices

1. Mid-term test and assignments after marking are returned to students. Instructors and tutors will explain in detail the answers of the assignment and term-test questions in order to strengthen students' analytical abilities.
2. All necessary course materials and lecture notes are uploaded at the course web site and

made available to students.

Required /Essential Reading

Mishkin, Frederic S., *The Economics of Money, Banking, and Financial Markets*, 8th Edition, Addison-Wesley, 2007..(2021 13th edition is available, please update)

Recommended /Supplementary Readings

Burton, M., and R. Lombra, *The Financial System and the Economy: Principles Of Money and Banking*, 4th Edition, South-Western College Publishing, 2005.

Croushore, Dean, *Money and Banking: A Policy Oriented Approach*, Houghton Mifflin Company, 2007.

Hubbard, R.G., *Money, the Financial System, and the Economy*, 5th edition, Addison-Wesley, 2005.

Latter, Tony, *Hong Kong's Money: The History, Logic and Operation of the Currency Peg*, Hong Kong University Press, 2007.

Ritter, L.S., Silber, W.L., and G.F. Udell, *Principles of Money, Banking, and Financial Markets*, 11th Edition, Addison-Wesley, 2004.

Important Notes:

- (1) Students are expected to spend a total of 9 hours (i.e. 3 hours of class contact and 6 hours of personal study) per week to achieve the course learning outcomes.
- (2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is “the presentation of another person’s work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student’s own work”. Students are required to strictly follow university regulations governing academic integrity and honesty.
- (3) Students are required to submit writing assignment(s) using Turnitin.
- (4) To enhance students’ understanding of plagiarism, a mini-course “Online Tutorial on Plagiarism Awareness” is available on <https://pla.ln.edu.hk/>.

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Grading Rubrics for Project Report (15%)

Criteria	Good A, A-, B+	Satisfactory B, B-, C+, C	Poor C-, D+, D, F
Content (50%)	Shows good understanding of the topics and raises insightful comments/questions.	Shows some understanding of the topics and raises constructive comments/questions.	Shows little or no understanding of the topics and raises redundant comments/questions.
Delivery (50%)	Show perfect delivery with fluent and correct English	Show good delivery with fluent and correct English, with occasional mistakes	Show not so good delivery with quite some mistakes

Grading Rubrics for two Mid-term tests and quizzes (70% and 15% respectively)

Criteria	Good A, A-, B+	Satisfactory B, B-, C+, C	Poor C-, D+, D, F
Accuracy (50%)	Demonstrate good knowledge of the relevant subject matters; apply all relevant concepts correctly.	Demonstrate some knowledge of the relevant subject matters; apply some of the relevant concepts correctly.	Demonstrate little or no knowledge of the relevant subject matters; fail to apply the relevant concepts correctly.
Comprehension of all the relevant concepts (40%)	Demonstrates a good insightful level of understanding.	Demonstrates a satisfactory level of understanding.	Demonstrates a poor level of understanding.
Extent to which ideas are expressed logically, accurately and clearly (10%)	Writes with high clarity; expression of ideas is consistently accurate and logical.	Writes with satisfactory clarity; expression of ideas is generally accurate and logical with some minor inconsistencies and errors.	Writes with low clarity; largely incomprehensible with major inconsistencies and errors.