

Money and Banking Module 1, 2021-2023

Course Information

Instructor: Zhiwei Xu Office: 612 PHBS Building, Room Phone: 86-755-2603-5330 Email: xuzhiwei09@phbs.pku.edu.cn Office Hour: 1:30PM-2:30PM Tuesday and Friday, or by appointment

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Classes:

Lectures: Tuesdays and Fridays, 15:30-17:20 Venue: TBA

1. Course Description

1.1 Context

Course overview:

This is an advanced topic course for Ph.D. or MA students in finance and economics. The course aims to introduce you advanced monetary economics and banking theories in the modern dynamic macroeconomic framework. The topics in this course includes: (i) new Keynesian monetary DSGE models and related policy issues; (ii) DSGE model with financial friction; (iii) Frontier macro banking theories with micro-level heterogeneity.

Prerequisites:

Advanced Marcoeconomics, Advanced Microeconomics, from the Ph.D. fundamental course sequence

1.2 Textbooks and Reading Materials

There is no required textbook. You may use following two textbooks as references.

1. J. Miao, Economic Dynamics in Discrete Time.

2. J. Gali, Monetary Policy, Inflation and the Business Cycle: An Introduction to the New Keynesian Framework.

Supplementary materials including handouts and other reading materials will be distributed along the lectures.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective	1.1. Our students will produce quality business and research-oriented documents.	NO
communicators.	present their ideas and also logically explain and defend their argument.	exam and homework
 Our graduates will be skilled in team work and leadership. 	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	No
	2.2. Students will be able to apply leadership theories and related skills.	No
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	No
	3.2. Our students will practice ethics in the duration of the program.	No
 Our graduates will have a global perspective. 	4.1. Students will have an international exposure.	No
5. Our graduates will be skilled in problem- solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	YES – evaluated by exam and homework
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	YES – evaluated by exam and homework
	5.3. Our students will demonstrate competency in critical thinking.	YES – evaluated by exam and homework

2.2 Course specific objectives

2.3 Assessment/Grading Details

Grade in this course is determined by the following standard: Class attendance and participation: 10% Homework: 50% Final exam: 50%

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected

plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to PHBS Student Handbook.

3. Topics, Teaching and Assessment Schedule

Time	Class contents	
Week 1-3	 New Keynesian Monetary Theory Classical Monetary Models (week 1) Cash-in-advance (CIA)/ Money-in-Utility (MIU) Reading Materials: Gali, <monetary and="" business="" cycle="" inflation="" policy,="" the="">, Chapter 2.</monetary> Nominal Rigidities (week 2) Sticky Price New Keynesian Phillips Curve Reading Materials: Gali, <monetary and="" business="" cycle="" inflation="" policy,="" the="">, Chapter 3</monetary> Optimal Monetary Policies (week 3) 	
	Miao, <economic dynamics="">, Chapter 19</economic>	
Week 4-7	4-/ DSGE Model with Financial Frictions	
	1. Financial Accelerator Theories (week 4-5)	
	 Kiyotaki-Moore (KM) model Bernanke-Gertler-Gilchrist (BGG) model Reading Materials: Kiyotaki, N. and Moore, J., 1997. Credit cycles. Journal of Political Economy, 105(2), pp.211-248. Bernanke, B.S., Gertler, M. and Gilchrist, S., 1999. The financial accelerator in a quantitative business cycle framework. Handbook of macroeconomics, 1, pp.1341-1393. Some applications (week 6-7) 	
	KM as a micro-foundation of Q theory	
	Financial development and volatility Deading Materials:	
	 Wang, P. and Wen, Y., 2012. Hayashi meets Kiyotaki and Moore: A theory of capital adjustment costs. <i>Review of Economic Dynamics</i>, <i>15</i>(2), pp.207-225. Wang, P., Wen, Y. and Xu, Z., 2018. Financial development and long-run volatility trends. <i>Review of Economic Dynamics</i>, <i>28</i>, pp.221-251. 	
Week 8-9	Macro banking theories with micro-level heterogeneities (week 8-9)	
	 Heterogeneous financial intermediaries (week 8) Reading materials: Coimbra, N. and Rey, H., 2017. <i>Financial cycles with heterogeneous intermediaries</i> (No. w23245). National Bureau of Economic Research Financial intermediaries and unconventional monetary policy.(week 9) Reading materials: 	

Gertler, M. and Karadi, P., 2011. A model of unconventional monetary
policy. Journal of Monetary Economics, 58(1), pp.17-34.