

# Money and Banking in China

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Fall 2018-2019

Course Time: Monday, 10:00-11:35

Office Hours: Monday: 1:30-2:30

## 1 Syllabus

### 1.1 Summary

This course aims to give an introductory yet broad treatment of monetary economics at an undergraduate level. It will address the following economic questions. What are the limitations of a barter economy? What gives intrinsically useless pieces of paper value? What causes inflation, and what are its costs and potential benefits? How can we understand the role of international markets for different currencies? What are the role of banks in providing financial intermediation? What causes bank panics, and how can they be prevented?

The course will closely follow the text *Modeling Monetary Economies* with Bruce Champ, Scott Freeman, and Joseph Haslag. The text develops micro-founded models of money. Generally speaking, such models explain aggregate economic phenomena from the behavior of rational people who maximize their welfare subject to constraints. The basic model features overlapping generations of agents, and new ingredients are added sequentially. Several supplementary readings will build the link between the general course topics and money and banking in China. The course is divided into two chunks. The first part develops simple models of money. The second examines banking and liquidity.

### 1.2 Textbook

Champ, Bruce, Scott Freeman, and Joseph Haslag. *Modeling monetary economies*. Cambridge University Press, 2016.

### **1.3 Course outline**

- Week 1 (9/10): Introduction and Chapter 1: Trade without money: The role of record keeping
- Week 2 (9/17): Chapters 2-3: A simple model of money; barter and commodity money
- Week 3 (9/24): Holiday
- Week 4 (10/1): Holiday
- Week 5 (10/8): Chapter 4: Inflation
- Week 6 (10/15): Chapter 5: International monetary systems
- Week 6 (10/22): Chapter 6: Price surprises
- Week 8 (10/29): Chapter 7: Capital
- Week 9 (11/03), Room A503: Chapter 8: Liquidity and financial intermediation
- Week 10 (11/12): Chapter 9: Central banking and the money supply
- Week 11 (11/19): Chapter 11: Fully backed central bank money
- Week 12 (11/26): Midterm
- Week 13 (12/3): Chapter 12: The payments system
- Week 14 (12/10): Chapter 13: Bank risk
- Week 15 (12/17): Chapters 14: Liquidity risk and bank panics
- Week 16 (12/24): Chapters 15-16: Deficits and the national debt; Savings and investment
- Week 17 (12/31): Final exam

### **1.4 Exams and Grading Policy**

The final grade for the course will be determined as follows:

Problem Sets 25%

Midterm 30%

Attendance/Participation 5%

Final Exam 40%

The grade is comprised of problem sets, midterm, the final exam, and a small amount of participation points. The midterm is in Week 7 after Part I of the course, so it is relatively front-loaded. It is meant to cover a more compact amount of material in order to be more manageable as well as to provide you timely feedback.

Homework questions will typically be based on the textbook material. Sometimes, I may provide additional questions or refer to additional reading. Supplementary material will link the general course topics to money and banking in China.

## **1.5 Course Policies and Guidelines**

All electronic equipment should be away during exams. Phones must be silent or off. Only in the event of a documented emergency can you miss an exam, in which case I will prepare a separate version.

If there are any major conceptual issues or concerns, please see me in office hours. If you cannot make it during the scheduled office hours, you can make an appointment.