

HKUST Department of Economics

Economics 4334: Money and Banking

Fall 2026

Prerequisite(s)

(ECON 3014 OR ECON 3113) AND (ECON 2123 OR ECON 3123)

Exclusion(s)

ECON 5350

Course website: <https://canvas.ust.hk>

Time and Venue:

L1 Tuesday and Thursday, 12:00 - 1:20PM, LSK1033

Tutorial

T1: Tuesday, 6:00-6:50PM LSK1033

Instructor: David Cook

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Course Description: The monetary policy decisions of central banks around the world are seen as crucial for outcomes in global financial markets. In major economies, such as the USA, Japan, the EU, the UK and others, central banks focus on setting short-term interest rates. Their decisions to adjust interest rates have enormous and closely watched impacts on stock markets, bond markets, and banking markets. The course will develop a theory of interest rates and related indicators by applying monetary and financial theory. Financial intermediaries such as banks are essential for the smooth operation of payment and credit systems. In the second part of the class, we will apply advanced microeconomic theories to understand the institutions of banking. In the third part of the class, we will apply advanced macroeconomic theory to understand policy decisions of central banks.

In both parts of the course, special attention will be paid to the particular institutions and history of Hong Kong's monetary and banking systems. We will also pay attention to understanding monetary policy.

Learning Outcomes The objective of the course will be to use the: 1) solid foundation in economic theory; and 2) mathematical and quantitative skills; that students have acquired in previous economics coursework to the analysis of the different tasks of central banking. Generally, the course will emphasize the pursuit of the following program-level academic and professional (AP) outcomes: AP4) Ability to apply economic concepts to explain real-world phenomena; AP5) Understanding of institutions and policies; and AP6) Potential to contribute to the development of Hong Kong as an international financial center.

Course Intended Learning Outcomes (Course ILOs)

Students will be able to achieve specific course level outcomes

1. Describe basic monetary concepts, the financial system, and the role of central banks. (SILO #1 & #3)
2. Analyze the tools central banks use to implement monetary policy and their effects on the economy. (SILO #1 & #3)
3. Examine the management of banks and financial institutions and their interactions with central banks and the real economy. (SILO #1 & #3)
4. Evaluate the role of central banks in mitigating economic risks through regulation and policy responses to financial crises. (SILO #1 & #3)
5. Apply key economic models, including ISLM, AS-AD, Quantity Theory of Money, and advanced macroeconomic models. (SILO #1 & #3)
6. Assess central bank policies, analyze their effects on interest rates, and scrutinize financial stability using algebraic and geometric modeling. (SILO #1 & #3)

Business School Intended Learning Outcomes (SILO) available at

<http://undergrad.bm.ust.hk/academics/academic-programs/learning-outcomes>

Teaching Approach

This course is primarily delivered through lectures and tutorials.

Teaching and learning activities	Roles in the course	Course ILOs addressed
Lectures	Learn key concepts and models and their applications	1,2,3,4,5,6
Tutorials	Discuss questions related to lecture material	1,2,3,4,5,6

Tutorial starts in the second week.

Textbook and Materials:

The course will refer to Frederic S. Mishkin's "The Economics of Money, Banking, and Financial Markets." Thirteenth Global Edition, Pearson.

Students will be provided additional materials for home learning. The course strongly recommends course attendance. Mature behavior is a course requirement. Engaging in behavior that disturbs the class will result in a reduction in the course grade.

Assessment:

Assessment Activities	Weighting	Course ILOs assessed
4 Homework Assignments	20%	1,2,3,4,5,6
1 midterm exam	25%	1,2,3,4,5,6
1 final exam	50%	1,2,3,4,5,6
Course Participation	5%	1,2,3,4,5,6

Midterm is scheduled on Thursday, Oct. 22nd, 2026 at 7:00-9:00pm subject to ARR approval.

Academic Integrity

Please read the information on academic integrity carefully and follow the instructions: <https://registry.hkust.edu.hk/resource-library/academic-honor-code-and-academic-integrity>. You should be familiar with Academic Honor Code and the content on Academic Integrity website.

Students can fulfill the course participation component through answering in class survey/quiz questions using the Canvas system.

Course Outline

Liquidity and Interest Rates

- Intro to Money (Ch. 3, Ch. 14.1-2, Ch. 15.1-2)
- Liquidity Theory of Interest Rates (Ch. 4.1-2, Ch. 5.4, Ch. 15.3-7)
- Risk and Term Structure of Interest Rates (Ch. 5.1-3, Ch. 6.1-2)

Financial Intermediation

- Economics of Financial Intermediation (Ch. 8)
- Business of Banking (Ch. 9, 11)
- Banking Regulation (Ch. 10)

Monetary Policy

- Implementation (Monetary Policy Tools and Targets) (Ch. 16)
- Strategy (Ch. 22-23, Ch. 17)
- Expectations and Monetary Policy (Ch. 24, 25)
- Money and Inflation in the Long-Term (Ch. 20, 4.3)

Grading Rubric:

Grades	Short Description	Elaboration on subject grading description
A	Excellent Performance	Students demonstrate a strong grasp of the course material and effective application of economic methods taught. They excel in problem sets, and perform exceptionally on exams. They exhibit exceptional analytical skills and critical thinking skills. Consistently contribute to class discussion.
B	Good Performance	Students demonstrate a solid understanding of course materials, proficient use of economic methods taught. They are competent in completing problem sets. They show commendable analytical skills and effective critical thinking. Regular participation in class discussion.
C	Satisfactory Performance	Students demonstrate an adequate understanding of course material, and can apply economic methods taught to familiar problems. They are able to complete problem sets in time. They display acceptable analytical skills and critical thinking in exams and participate in class discussion.
D	Marginal Pass	Students demonstrate basic understanding of course material, inconsistent use of economic methods taught, and marginal performance in problem sets. They show basic analytical skills and critical thinking in exams. Their participation in class discussions is inconsistent.
F	Fail	Students demonstrate insufficient understanding of the course material and lack the necessary problem-solving skills. They display limited ability to think critically or analytically and exhibit minimal effort towards achieving learning goals. Their participation in class discussion is minimal.