

Final Examination Outline
EE432 Monetary Theory and Policy
B.E. International Program
Faculty of Economics, Thammasat University
Semester 2/2020

Please be noted that you may need to go through lectures delivered in classes. This guide could help you to focus on some selected topics.

- 1. Explain how central banks conduct their monetary policy to achieve some specific objectives (write formula, if it is required). Use table to illustrate change in balance sheet composition; assets and liabilities and draw diagram to show the adjustment in target policy rate**

Please read through

Changing the Size and Composition of the Balance Sheet; Deposit Expansion Multiplier; The Monetary Base and the Money Supply

The Federal Reserve's Conventional Policy Toolbox, The Target Federal Fund Rate and the Interest on Excess Reserves; Inflation targeting, Taylor rule; Unconventional Policy Tools

The Quantity Theory and the Velocity of Money

- 2. Read the arguments, then decide whether you agree or disagree with them. Discuss both sides of this argument and provide rigorous theoretical framework to support your claim:**

Please read through

Unconventional Policy Tools

Linking Exchange-Rate Policy with Domestic Monetary Policy; Mechanics of Exchange-Rate Management; The Costs, Benefits, and Risks of Fixed Exchange Rates

Bank-Lending and Balance-Sheet Channels; Firms' Balance Sheets and Household Net Worth; Asset-Price Channels

Financial Crisis and the Transmission of Monetary Policy; Booms and Busts in Property and Equity Prices; Deflation and the Effective Lower Interest-Rate Bound

New Keynesian Model

3. **In the presence of demand or supply shocks, discuss why the central banks should respond to uncertainties. Using monetary policy response curve (MPRC), dynamic aggregate demand curve, short-run aggregate supply and long-run aggregate supply curve to draw diagrams, and referring to the monetary/macroeconomic theories to discuss how monetary authorities could employ monetary policies in response to the fluctuations.**

Please read through

Equilibrium and the Determination of Output and Inflation

Sources of Fluctuations in Output and Inflation; Positive Supply Shocks and the Opportunity They Create; What Happens When Potential Output Changes
