



B.E. International Program

Faculty of Economics, Thammasat University



Course Outline

EE 432 Monetary Theory and Policy

Semester 1/2013 (August 13 – November 30, 2013)

Number of credits	3 credits
Lecture Time	Tuesdays and Thursdays, 8.00 – 9.30 AM
Lecture Venue	304, 3 rd floor, Faculty of Economics, Thammasat University, Tha Prachan campus
Instructor	Dr. Pornpinun Chantapacdepong Email : pornpinc@bot.or.th Office hours : by appointment
Prerequisite	EE312

Course Description:

Money demand and money supply; The role of financial system at the macro level; The study of monetary policy in terms of its goals, tools, policy implementation, and transmission mechanism to the real economy with the emphasis on the role of monetary policy to business cycle, and the inflation targeting monetary policy; The role of central bank; The relationship between monetary and fiscal policies; The role of monetary policy in open economy by considering the linkage between foreign exchange rate policy and changes in macroeconomic and financial environment.

Course Objectives

This course aims to explore both the theoretical and practical aspects of monetary economics to provide an insight into real-life monetary policy-making. The course starts with the basic background knowledge about the notions in the monetary economics. Then the theoretical frameworks pertaining to money, monetary policy and exchange rate are discussed to serve as a solid background for empirical parts. In the practical analysis part of the lecture, monetary policy implementation in Thailand along with exchange rate policy will be thoroughly discussed. The course will also look into financial crises to draw some lessons from policy-

making aspects, which will include a review of unconventional monetary policy as crisis response measures and a practical example of the fiscal and monetary interaction. After completing this course, students are expected to understand the behavior of financial markets and rationale for the policy actions of the central banks and finally to be able to draw some policy recommendations.

Recommend Readings:

Mishkin, F.S. 2013. **The Economics of Money, Banking, and Financial Markets**, tenth edition, PEARSON Addison Wesley.

Lecture notes and references

Course Outline:

Materials in the lectures based mainly on the textbook. The lecture topics with the relevant textbook chapters are written below. For the lecture on practical aspects, supplementary notes and handouts will be provided.

Note that topics below may be adjusted if necessary.

Part I Basic background knowledge

Meaning and function of money (CH3)

Nature and Behavior of interest rates (CH4-6)

Stock markets (CH7)

Part II Central Banking and the Conduct of Monetary Policy

The money supply process (CH15)

The tools of monetary policy CH16)

Monetary Policy Strategy and Tactics (CH17)

Practical Aspects: Monetary Policy in Thailand

Part III International Finance and Monetary Policy

The foreign exchange market (CH18)

The International financial system (CH19)

Practical Aspects: The role of the exchange rate policy and the impossible trinity

Practical Aspects: Exchange rate targeting versus inflation targeting

Part IV Monetary Theory

Quantity Theory, Inflation, and the Demand for Money (CH20)

The IS curve (CH21)

The Monetary Policy and Aggregate Demand Curves (CH22)

Aggregate Demand and Supply Analysis (CH23)

The Phillips Curve and the Short-Run Aggregate Supply Curve (CH23)

Monetary Policy Theory (CH24)

The Role of Expectations in Monetary Policy (CH25)

Transmission Mechanisms of Monetary Policy (CH26)

Practical Aspects: Evidence of Transmission Mechanism in case of Thailand

Part V Understanding Financial Crises and Unconventional Monetary Policy

The Asian financial crises of 1997-99

The subprime crisis and unconventional monetary policy

The euro debt crisis: fiscal and monetary interaction

The key challenge for the Monetary Policy going forward

Grading Policy: Mid-Term Examination 40%, Final Examination 60%

(Lecturer retains her right to give a final grade basing on her criteria.)

Important Dates

Class begins

August 13, 2013

Adding and Dropping Course

August 13 – 27, 2013

Midterm Exam

October 1, 2013; 8.00 – 9.30 AM

Course Withdrawal with “W”

October 16 – 21, 2013

Last day of classes

November 30, 2013

Final Exam

December 6, 2013 ; 1.30 – 4.30 PM
