

Final Examination Outline
EE432 Monetary Theory and Policy
B.E. International Program
Faculty of Economics, Thammasat University
Semester 1/2022

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

For each question, you also need to write out some definitions of monetary economics

- 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 (50 marks in total)**
 - 1) Assuming that you are manager working at monetary policy authority, how might you advice the central bank to engage with some selective monetary measures to tackle with any specific circumstances.
 - 2) Explain about the process of deposit expansion and multiplier, the monetary base and the money supply, the quantity theory and the velocity of money, inflation targeting, Taylor rule, unconventional policy tools, linking exchange-rate policy with domestic monetary policy; mechanics of exchange-rate management

- 2. Discuss what central banks should do in the presence of the following demand or supply shocks. Using monetary policy response curve (MPRC), dynamic aggregate demand (AD), short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS) curve to draw diagrams and referring to the monetary/macroeconomic theories to clarify your point. (40 marks in total)**

Explain and draw diagrams which would be related to these areas: *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.*

- 3. 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. (30 marks in total)**

There remains argument that monetary policy options and their effectiveness. Do you agree or disagree with the following arguments, and give some explanation, in regard to some following topics: *the primary objective of all central banks, creating a successful central bank, the costs, benefits, and risks of fixed exchange rates.*
