

Mid-semester Examination Outline
EE432 Monetary Theory and Policy
B.E. International Program
Faculty of Economics, Thammasat University
Semester 2/2021

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. Based on given case studies, discuss what should commercial banks (or central bank) do to achieve some specific objectives. (20 marks)**

Assuming that you are a bank (or central bank) manager, how might you reduce the fragility of your institution (or banking system) in terms of

- 1) Reducing risk through hedging or spreading (*no calculation for this question*)
- 2) The balance sheet of commercial banks and bank risk (*write the formula and provide some financial ratio calculation*)
- 3) Government safety net and the need (of Central Bank) for independence, accountability, transparency, and credibility

- 2. Read the real-world economic circumstance, then apply monetary economic theory and concept to analyze the situation and its implication. (If needed, write the formula to support your answer) (20 marks)**

- 1) Risk structure of interest rates and bond rating
- 2) Term structure of interest rates (particularly, the Expectations Hypothesis and The Liquidity Premium Theory)

- 3. Write short argument essays to what extent you agree or disagree. Discuss both sides of this argument and provide rigorous theoretical framework to support your claim. (20 marks)**

There remains argument that central banks should do or not to do, regarding

- 1) Regulation and supervision of the financial system and macro-prudential regulation
 - 2) Information asymmetries
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