

Final Examination Outline
EE432 Monetary Theory and Policy
B.E. International Program
Faculty of Economics, Thammasat University
Semester 1/2021

Please be noted that you may need to go through lectures delivered in virtual classroom. 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 (40 marks in total)**

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. (40 marks in total)**

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. (40 marks in total)**

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
