



B.E. International Program

Faculty of Economics, Thammasat University



Course Outline

EE 432 Monetary Theory and Policy

Semester 2/2014 (January 13 – May 3)

Lecture Time:	Tuesdays and Thursdays, 8.00 – 9.30 a.m.
Lecture Venue:	206, Faculty of Economics
Instructor:	Dr. Pym Manopimoke
Email:	pymm@bot.or.th
Office Hours:	By appointment
Prerequisite:	EE 312

Course Description:

This course aims to provide the student with a firm background on both the theoretical and practical aspects of monetary economics. The first part of the course focuses on the role of financial markets in the economy, with a particular emphasis on bond markets and interest rate determination. The role of the financial system will be discussed at the macro level, and the study of monetary policy in terms of its goals, tools, policy implementation and transmission mechanism to the real economy will also be covered. Then, the theoretical frameworks pertaining to money, monetary policy, and exchange rates will be examined to serve as a solid foundation for empirical parts.

To encourage students to apply the theory learnt to practical issues, topics on monetary and exchange rate policy implementations as well as the inflation targeting framework in Thailand will be analyzed and discussed. The course will also look into past crises events such as the Asian financial crisis, the subprime crisis, and the European debt crisis to draw lessons from policy-making aspects. These practical examples should also serve to help students gain a better understanding of fiscal and monetary interaction and unconventional monetary policy as crises response measures. At the completion of this course, it is expected that students understand the behavior of financial markets and the rationale behind the policy actions of central banks.

Recommended Readings:

Mishkin, F.S. 2013. The Economics of Money, Banking, and Financial Markets, 10th edition, PEARSON Addison Wesley.

Walsh, C.E., 2010. Monetary Theory and Policy, 3rd edition, MIT Press.

Course Outline:

The lecture topics will closely follow the Mishkin text. The course outline is shown below and should there be any adjustments to the schedule, the changes will be announced in class.

Topics	Mishkin Text	Date
Part I Introduction		
Why Study Money, Banking, and Financial Markets?	CH 1	14/1
What is Money?	CH 3	14/1, 16/1
Understanding Interest Rates	CH 4 – 6	16/1, 21/1, 23/1, 28/1
Discussion topics: the Asian financial crisis, the subprime crisis and unconventional monetary policy, the European debt crisis: fiscal and monetary interaction		30/1
Part II Central Banking and Monetary Policy		
The Money Supply Process	CH 15	4/2, 6/2
Tools of Monetary Policy	CH 16	11/2, 13/2
The Conduct of Monetary Policy: Strategy and Tactics	CH 17	18/2, 20/2
Application: Monetary Policy in Thailand, Review for midterm		25/2, 27/2
MIDTERM EXAMINATION		4/3
Part III International Finance and Monetary Policy		
The Foreign Exchange Market	CH 18	11/3, 13/3
The International Financial System	CH 19	18/3
Application: Exchange Rate Policy and the Impossible Trinity		20/3
Part IV Monetary Theory		
Quantity Theory, Inflation and the Demand for Money	CH 20	25/3
The IS Curve	CH 21	27/3
The Monetary Policy and Aggregate Demand Curves	CH 22	1/4
Aggregate Demand and Supply Analysis	CH 23	3/4, 8/4
Monetary Policy Theory	CH 24	10/4, 17/4
The Role of Expectations in Monetary Policy	CH 25	22/4, 24/4
Transmission Mechanisms of Monetary Policy	CH 26	29/4
Application: Evidence of the Transmission Mechanism in Thailand, Revisit topics discussed on 30/1		1/5
FINAL EXAMINATION		19/5

Grading Policy: The grade breakdown is as follows:

Mid-term Examination: 40% (March 4, 2014, 8:00 – 9:30 a.m.)

Final Examination: 60% (May 19, 2014, 9:00 a.m. – 12:00 p.m.)

Students must take both exams to pass the class. Note that there will be no make-up exams without written documentation of an emergency such as hospitalization, military service, death in family. Exams will NOT be rescheduled to facilitate holiday travel. Letter grades you receive in

the course are final. If you disagree with how the exams are graded, you may submit a request for re-grading in writing. If the request is granted, the entire exam will be re-graded.

In the final assignment of the course grade, minor adjustments to boost a student's grade will be made on a case by case basis based on participation and effort. Note that attendance is required for the course.

Important Dates:

Second semester begins: January 13, 2014

Period of withdrawal without "W": January 13-27, 2014

Mid-term examination: March 4, 2014

Period of withdrawal with "W": March 19-24, 2014

Last day of class: May 3, 2014

Final examination: May 19, 2014

Academic Integrity:

The rules of academic integrity will be strictly enforced and will not be tolerated under any circumstances. Please refer to the relevant Thammasat University's academic integrity guidelines.