



Course Outline

EE432 Monetary Theory and Policy

Semester 1/2024 (August 13 - December 2, 2024)

Lecture Time: Saturday, 09.00-12.00 hours

Lecture Venue: Room 304, Faculty of Economics

Teaching Materials Platform:

Google Classroom via <https://classroom.google.com/c/NzAyMTE3NDc5MDQw> and access code of *gr3pcy7*

Instructor:

Name: Dr. Chamadanai Mars Marknual

Office Hours: Saturday 8.00-9.00 a.m. (by appointment)

Email: chamadanai@gmail.com

Phone: Email is preferable

Number of Credit: 3 Credits (3-0-6)

Prerequisite: EE312

Course Description:

The role of money in the economy; studying monetary policy's goals, tools, policy implementations, Transmission mechanisms of Monetary policy; Monetary policy and business cycles; monetary policy framework, exchange rate targeting and inflation targeting; The role of the Central Bank; The interaction between monetary and fiscal policies; The role of monetary policy in the open economy.

Course Objectives:

1. To develop knowledge and analytic skills to anticipate the central bank's monetary policy reaction on different economic situations.
2. To enhance capability to make a preliminary analysis of novel monetary policy execution together with its associated impacts and determine the appropriate choice of monetary stance.
3. To encourage students to take an active learning approach by reading lecture notes and

Expected Learning Outcomes

1. Morality and Ethics

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students demonstrate integrity.	Participation, Classwork
●	2. Students prioritize social and public benefits over personal ones.	Participation, Classwork
●	3. Students are punctual and comply with the code of conduct of the institution and society at large.	Participation, Classwork
●	4. Students are responsible and accountable to society, the nation, and the subject of economics.	Participation, Classwork
○	5. Students realize the cultural and environmental value of a sustainable society.	Participation, Classwork

2. Knowledge

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students know and understand modern economics principles and theories and are up to date with new developments.	Exercise, Assignment
●	2. Students know and understand Thai and global economic structure and the importance of major international economic events.	Exercise, Assignment
○	3. Students know and understand the instruments of economic analysis.	Exercise, Assignment
●	4. Students know and understand applied fields in economics, including monetary, public, international, business, natural resource, and environmental, industrial, agricultural, cooperative, political, developmental, and entrepreneurial economics as well as agribusiness.	Exercise, Assignment
○	5. Students are informed about related fields including sociology, business administration, education, law policy, and science.	Exercise, Assignment

3. Intellectual Development

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students have developed individual critical thinking.	Mid-term & Final Exam
●	2. Students are sufficiently trained in research skills.	Mid-term & Final Exam
●	3. Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand the causes of current economic problems in Thailand. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems.	Mid-term & Final Exam

4. Interpersonal Skills and Responsibilities

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students are responsible for assigned tasks and work in groups effectively.	Participation, Classwork
●	2. Students have problem-solving skills.	Participation, Classwork
○	3. Students show leadership skills and team spirit.	Participation, Classwork
●	4. Students are always improving themselves.	Participation, Classwork
○	5. Students have good interpersonal skills, adapt, and work under different conditions.	Participation, Classwork

5. Quantitative Analysis, communication, and information technology

Applicability	Expected Learning Outcomes	Evaluation Method
○	1. Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems.	Exercise, Assignment
○	2. Students communicate effectively and select appropriate presentation methods.	Exercise, Assignment
○	3. Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results.	Exercise, Assignment

Remark: ● Primary expected outcome ○ Secondary expected

Main Text:

Students are required to read all lecture notes and should have access to this online textbook. The primary textbook will be:

Cecchetti, Stephen and Schoenholtz, Kermit. (2021) **Money, banking, and financial markets**. McGraw-Hill.

The electronic version of textbook is available via <https://connect.mheducation.com>

Recommended Texts & Materials

Students are required to read all lecture notes presented In class.

Suggested Readings:

Students should also study other related teaching materials, including case-based and topic-based articles, together with news clips and central banks' publications, posted on this subject's google classroom platform. These following articles are suggested.

Akerlof, G. A. (1970). The Market for" Lemons": Quality Uncertainty and the Market Mechanism. **The Quarterly Journal of Economics**, 84(3), 488-500

Bernanke, B. S. (1983). Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression. **The American Economic Review**, 73(3), 257-276.

Bernanke, B. S., & Gertler, M. (2001). Should Central Banks Respond to Movements in Asset Prices? **The American Economic Review**, 91(2), 253-257.

Bernanke, B. S., & Mishkin, F. S. (1997). Inflation Targeting: A New Framework for Monetary Policy? **Journal of Economic Perspectives**, 11(2), 97-116.

Calvo, G. A., Leiderman, L., & Reinhart, C. M. (1996). Inflows of Capital to Developing Countries in the 1990s. **Journal of Economic Perspectives**, 10(2), 123-139.

Campbell, J. Y. (1995). Some Lessons from the Yield Curve. **Journal of Economic Perspectives**, 9(3), 129-152.

Christiano, L. J., Eichenbaum, M., & Evans, C. L. (2005). Nominal Rigidities and the Dynamic Effects of a Shock to Monetary Policy. **Journal of Political Economy**, 113(1), 1-45.

Diamond, D. W., & Dybvig, P. H. (1983). Bank Runs, Deposit Insurance, and Liquidity. **Journal of Political Economy**, 91(3), 401-419.

Estrella, A., & Mishkin, F. S. (1996). The Yield Curve as a Predictor of US Recessions. **Current Issues in Economics and Finance**, 2(7).

Hanson, S. G., Kashyap, A. K., & Stein, J. C. (2011). A Macroprudential Approach to Financial Regulation. **Journal of Economic Perspectives**, 25(1), 3-28.

- Kiyotaki, N., & Wright, R. (1993). A search-theoretic Approach to Monetary Economics. **The American Economic Review**, 63-77.
- Kydland, F. E., & Prescott, E. C. (1990). Business cycles: Real facts and a monetary myth. **Federal Reserve Bank of Minneapolis Quarterly Review**, 14(2), 3-18.
- Lucas Jr, R. E. (1976). Econometric policy evaluation: A critique. In **Carnegie-Rochester conference series on public policy** (Vol. 1, pp. 19-46). North-Holland.
- Obstfeld, M., & Rogoff, K. (1995). The Mirage of Fixed Exchange Rates. **Journal of Economic Perspectives**, 9(4), 73-96.
- Rogoff, K. (2017). Dealing with Monetary Paralysis at the Zero Bound. **Journal of Economic Perspectives**, 31(3), 47-66.
- Taylor, J. B. (1993). Discretion versus Policy Rules in Practice. In **Carnegie-Rochester Conference Series on Public Policy** (Vol. 39, pp. 195-214). North-Holland.

Course Evaluation:

The course will be assessed by an active learning approach with a variety of individual learning, including in-class discussion on current economic situation, individual exercise, individual report assignment, mid-term examination, and final examination. Students should thus pay attention to any hot issues related to monetary economics and finance which will be brought into classroom discussion. Besides, the students are encouraged to utilize a web-based platform provided by Mc-Graw Hill as an additional source of learning. The major materials are lecture note presentations provided on the subject's google classroom and other related materials posted on class platform. The assessment criteria are detailed as follows.

1. Attendance and in-class participation	10%
2. Individual exercise	10%
3. Individual essay assignment	10%
4. Mid-term examination	30%
5. Final examination	40%

Grading Criteria:

A	=	85 and above
B+	=	75 – 84.9
B	=	70 – 74.9
C+	=	65 - 69.9
C	=	60 - 64.9
D+	=	55 - 59.9
D	=	50 - 54.9
F	=	49.9 and below

Tentative Class Schedule:

Week	Topic	Date
1.	Financial instruments, financial markets, and financial institutions (Cecchetti & Schoenholtz Textbook Chapter 3)	17 Aug 2024
2.	Understanding risk (Cecchetti & Schoenholtz Textbook Chapter 5)	24 Aug 2024
3.	The risk and term structure of interest rates (Cecchetti & Schoenholtz Textbook Chapter 7)	31 Aug 2024
4.	The economics of financial intermediation (Cecchetti & Schoenholtz Textbook Chapter 11)	7 Sep 2024
5.	Depository institutions: banks and bank management (Cecchetti & Schoenholtz Textbook Chapter 12)	14 Sep 2024
6.	Regulating the financial system (Cecchetti & Schoenholtz Textbook Chapter 14)	21 Sep 2024
7.	Central banks in the world today (Cecchetti & Schoenholtz Textbook Chapter 15) & Mid-term exam revision	28 Sep 2024
	Mid-term examination	5 Oct 2024 9-11 AM
8.	The central bank balance sheet and the money supply process (Cecchetti & Schoenholtz Textbook Chapter 17)	12 Oct 2024
9.	Monetary policy: stabilizing the domestic economy (Cecchetti & Schoenholtz Textbook Chapter 18)	19 Oct 2024
10.	Exchange rate policy (Cecchetti & Schoenholtz Textbook Chapter 19)	26 Oct 2024
11.	Money growth and money demand (Cecchetti & Schoenholtz Textbook Chapter 20)	2 Nov 2024
12.	Output, inflation, and monetary policy (Cecchetti & Schoenholtz Textbook Chapter 21)	9 Nov 2024
13.	Understanding business cycle fluctuations (Cecchetti & Schoenholtz Textbook Chapter 22)	16 Nov 2024
14.	Modern monetary policy and the challenges (Cecchetti & Schoenholtz Textbook Chapter 23)	23 Nov 2024
15.	Special topic: New Keynesian monetary economics & Final exam revision	30 Nov 2024
	Final examination	14 Dec 2024 9 – Noon