Course Outline

EE432 Monetary Theory and Policy

Semester 2/2022 (January 9th – May 6th, 2023)

Number of Credit: 3 credits

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:

Class Time and Logistic	
Class day:	Saturday
Class time:	09.00 – 12.00 hrs.
Venue:	Room 206, Faculty of Economics
Teaching Materials Platform: https://classroom.google.com/c/NTA5MTc2MzU1OTk0?cjc=2sbh4a5	

Instructor:

Name: Dr. Chamadanai Mars Marknual

Office Hours: By appointment

Email: chamadanai_be@econ.tu.ac.th

Phone: Email is preferable

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	
●	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	
●	1. Students have developed individual critical thinking.	Exam
●	2. Students are sufficiently trained in research skills.	Exam

Applicability	Expected Learning Outcomes	
●	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.	Exam

4. Interpersonal Skills and Responsibilities

Applicability	Expected Learning Outcomes	
●	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	
○	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:

The primary textbook will be:

> Cecchetti, Stephen and Schoenholtz, Kermit. (2021) **Money, banking, and financial markets.** (6th edition). McGraw-Hill.

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 or topic-based articles, news clips and central banks' publications, posted on this subject's moodle 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. (2010, May). Central bank independence, transparency, and accountability. In **Speech at the Institute for Monetary and Economic Studies International Conference**, Bank of Japan, Tokyo, Japan, May (Vol. 25).

Bernanke, B. S., & Gertler, M. (2001). Should central banks respond to movements in asset prices?. **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.

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.

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.

Vazquez, M. F. F., & Federico, M. P. (2012). Bank funding structures and risk: Evidence from the global financial crisis. **IMF Working Paper.** International Monetary Fund.

Course Evaluation:

The course will be assessed by 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 also follow the current economic situations which will be brought into discussion via the online classes. Besides, the students are encouraged to utilize a web-based platform provided by Mc-Graw Hill (https://connect.mheducation.com) as additional source of learning. The major materials are lecture note presentations provided on BE-moodle and other related materials posted on moodle platform. The assessment criteria are detailed as follow.

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)	14 Jan 2023
2.	Understanding risk (Cecchetti & Schoenholtz Textbook Chapter 5)	21 Jan 2023

Week	Topic	Date
3.	The risk and term structure of interest rates (Cecchetti & Schoenholtz Textbook Chapter 7)	28 Jan 2023
4.	The economics of financial intermediation (Cecchetti & Schoenholtz Textbook Chapter 11)	4 Feb 2023
5.	Depository institutions: banks and bank management (Cecchetti & Schoenholtz Textbook Chapter 12)	11 Feb 2023
6.	Regulating the financial system (Cecchetti & Schoenholtz Textbook Chapter 14)	18 Feb 2023
7.	Central banks in the world today (Cecchetti & Schoenholtz Textbook Chapter 15) & Mid-term exam revision	25 Feb 2023
	Mid-term examination	4 Mar 2022 9-11 AM
8.	The central bank balance sheet and the money supply process (Cecchetti & Schoenholtz Textbook Chapter 17)	11 Mar 2023
9.	Monetary policy: stabilizing the domestic economy (Cecchetti & Schoenholtz Textbook Chapter 18)	18 Mar 2023
10.	Exchange rate policy (Cecchetti & Schoenholtz Textbook Chapter 19)	25 Mar 2023
11.	Money growth and money demand (Cecchetti & Schoenholtz Textbook Chapter 20)	1 Apr 2023
12.	Output, inflation, and monetary policy (Cecchetti & Schoenholtz Textbook Chapter 21)	8 Apr 2023
13.	Understanding business cycle fluctuations (Cecchetti & Schoenholtz Textbook Chapter 22)	22 Apr 2023
14.	Modern monetary policy and the challenges (Cecchetti & Schoenholtz Textbook Chapter 23)	29 Apr 2023
15.	Special topic: New Keynesian monetary economics & Final exam revision	6 May 2023
	Final examination	22 May 2023 9 – Noon