

## TABLE OF CONTENTS

	Page
Abstract.....	i
Acknowledgement.....	iii
Table of Contents.....	iv
<b>Chapter 1</b>	
Introduction	
1.1 Overview.....	1
1.2 Objectives of Study.....	5
1.3 Monetary Policy: A Brief Introduction.....	5
1.4 Monetary Policy Framework.....	7
1.5 Instruments of Monetary Policy.....	9
1.6 The Asian Currency Crisis: A Brief Encounter.....	13
1.7 Monetary Policy after the Crisis.....	18
<b>Chapter 2</b>	
Literature Review.....	19
2.1 What is Money?.....	21
2.1.1 Commodity Money versus Fiat Money.....	22
2.1.2 Issues in Counting Money.....	22
2.1.3 The Total Supply of Money.....	24
2.2 Monetary Policy.....	24
2.2.1 Money Stock and Interest Rate Targets .....	28

2.2.2 Targeting the Monetary Base.....	36
2.3 Monetary Policy and Interest Rates.....	36
2.3.1 The Relationship between Interest Rates and Exchange Rates	37
2.3.2 Real Output, Short-term and Long-term nominal interest rates	39
2.4 Inflation Targeting: Another Variation to Monetary Policy.....	40
2.5 The Mundell-Fleming Model.....	42
2.5.1 The Flexible (Floating) Exchange Rate Regime.....	42
2.5.2 The Fixed Exchange Rate.....	45
2.5.2.1 Devaluation as a Policy Instrument.....	47
2.5.3 Imperfect Capital Mobility.....	47
2.6 The Theory of “overshooting”.....	48
2.7 Monetary Policy in the Mundell-Fleming model.....	51
2.8 The Significance of Capital Controls.....	52
2.9 Central Bank Independence.....	54

### **Chapter 3**

Monetary Policy Developments in Malaysia, Thailand and Indonesia in the Last Two Decades (A General Assessment).....	56
3.1 Overview of Monetary Developments.....	56
3.2 Financial Liberalization.....	58
3.2.1 Capital Account Liberalization.....	62
3.3 Monetary Policy in Malaysia, Indonesia and Thailand.....	63
3.4 Economic Analysis during the Crisis.....	68
3.4.1 Interest Rate Management.....	70
3.4.2 Money Supply Management.....	71

3.4.3 Exchange Rate Regime.....	73
3.5 Monetary Policy in the Aftermath of the Currency Crisis.....	76
3.6 Conclusion .....	78

#### **Chapter 4**

A Theoretical Analysis of Monetary Policy in the Last Two Decades: The Case of Malaysia.....	79
4.1 Overview of Economic and Monetary Developments in the Last Two Decades.....	79
4.2 Money Supply versus Interest Rate Targeting .....	84
4.2.1 Interest Rate Management.....	85
4.2.2 Money Supply Management.....	92
4.3 Exchange Rate Management.....	97
4.3.1 Exchange Rate Management:The Case for Capital Controls.....	102

#### **Chapter 5**

A Theoretical Analysis of Monetary Policy in The Last Two Decades: The Case of Indonesia.....	107
5.1 Overview of Economic and Monetary Developments in the Last Two Decades.....	107
5.2 Monetary Targeting versus Interest Rate Targeting.....	111
5.2.1 Interest Rate Management.....	111
5.2.2 Money Supply Management.....	118
5.3 Exchange Rate Management.....	127
5.4 After the Crisis: Inflation Targeting.....	133

**Chapter 6**

A Theoretical Analysis of Monetary Policy in The Last Two Decades: The Case of Thailand.....138

6.1 Overview of Economic and Monetary Developments in the Last Two Decades.....138

6.2 Monetary Targeting versus Interest Rate Targeting.....144

    6.2.1 Interest Rate Management.....144

    6.2.2 Money Supply Management.....150

6.3 Exchange Rate Management.....155

6.4 After The Crisis: Inflation Targeting.....161

**Chapter 7**

Conclusion.....164

**Bibliography.....172**