

LIST OF CONTENTS

Content	Page
CHAPTER 1	
INTRODUCTION	
1.1 Background	1
1.2 Central Bank and the Financial Market	3
1.3 Malaysia's Experiences in Implementing Monetary Policy	4
1.3.1 Early 1990's	4
1.3.2 Monetary Policy in 1995 to 1996	6
1.3.3 Malaysia during Crisis and Recovery	9
1.4 Objectives	13
1.5 Organizations of the Study	14
CHAPTER 2	
LITERATURE REVIEW	
2.1 Introduction	16
2.2 The Relationship between Monetary Policy and Macroeconomic Variables	16
2.3 Empirical Studies by Using VAR Models	20
2.4 Empirical Regularities	23
2.5 Conclusion	24

CHAPTER 3

THEORETICAL FRAMEWORK

3.1	Introduction	31
3.2	A General Framework	31
	3.2.1 Money Growth and Inflation	31
	3.2.2 Money Growth and Interest Rate	33
	3.2.3 Price Rigidity	36
	3.2.4 Monetary and Inflation	37
3.3	Lucas (1990) Analysis on Liquidity and Interest Rates	39
	3.3.1 Pure Liquidity Effects: A General Framework	44
	3.3.2 The Case of Independent Shocks	47
3.4	Conclusion	52

CHAPTER 4

METHODOLOGY

4.1	Introduction	53
4.2	Scope of the Study	53
4.3	Sources of Data	54
4.4	Use of Software Packages	54
4.5	A Stationarity Test	55
	4.5.1 Unit Root Test	55

4.6	Cointegration	57	
	4.6.1	Johansen Methodology	58
	4.6.2	Test of Cointegration	58
4.7	VAR Analysis	61	
	4.7.1	Impulse Response Functions	64
4.8	Conclusion	65	

CHAPTER 5

RESULTS

5.1	Introduction	66	
5.2	Unit Root Test	66	
5.3	Johansen Cointegration Test	68	
5.4	VAR Analysis	70	
	5.4.1	Summary Statistics of Main Sample Series	70
	5.4.2	Coefficients Estimation	71
	5.4.3	Covariance and Correlation Matrices	73
	5.4.4	Impulse Response Function	75
5.5	Conclusion	79	

CHAPTER 6

SUMMARY AND CONCLUSIONS

6.1	Introduction	80
6.2	Summary of the Empirical Findings	80
6.3	Discussion and Policy Implications	81
6.4	Recommendations for Further Studies	82
6.5	Conclusion	84

REFERENCES

APPENDICES

LIST OF TABLES

TABLES	PAGE
2.1 Summary of the Empirical Studies	24
5.2.1 Unit Root Test Results	67
5.3.1 Summarized of the Results for Johansen Cointegration Test	69
5.4.1 Summary Statistics of Main Sample Series	71
5.4.2 Coefficients Estimates in the Basic VAR Model	72
5.4.3 Covariance and Correlation Matrices	74