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Preface

This book, *Monetary Economics and the Malaysian Financial System*, was primarily designed as a more appropriate alternative to the many textbooks currently available in the market but were mainly published in foreign countries. The basic approach in writing this book is simple – putting as much local flavour as possible. Hence, as a backdrop to the other more important chapters, this book started with significant changes and major transformation of the Malaysian economy and its financial system over the past three decades. The subsequent sections of the book dealt with developments in the major financial institutions and financial markets, changes in monetary policy as well as the balance of payments position. In between the chapters, the theoretical aspects of monetary policy such as instruments of monetary regulation; money supply and money demand and the determination of exchange rates were included, showing both its relevance and policy applications.

This publication also focuses on previous as well as current policy issues. In particular, it touched on economic problems associated with rapid growth such as inflationary pressures and external (balance of payments) and internal (savings – investment) gaps. Strong emphasis was also given to recent regulatory developments in the supervision and management of the banking system and the overall financial sector.

This book is expected to develop and help students understand the monetary economics, particularly if they have good understanding of micro and macroeconomic theories. The overriding objective however is still to explain how monetary and credit policies which is under the influence of Bank Negara are used in understanding economic issues, and to help students analyse macroeconomic problems for herself or himself. Students must remember that under whatever circumstances, the formulation of the monetary policy in Malaysia is mainly guided by the authority's desire to achieve the national economic objectives. Therefore, changes to monetary policy must be done within the context of the broader goals of promoting economic growth, a high level of employment, maintaining price stability and a reasonable balance in the country's international payment position, eradicating poverty and restructuring of society.

Some parts of the book require careful reading. There is no mathematics except for some formulae. A single most important suggestion is that you learn actively and repetitively. Work on the assignments at the end of each section or chapter. Follow the economic news in the press, economic magazines and Bank Negara reports, and see how that relates to what you are learning. Read on major external economic developments and see if these events will affect our financial system and financial markets and eventually the overall economy. Recent happenings on the currency and equity market fronts serve as an interesting starting point for students to understand monetary policy and the economy. Try to follow the logic of the monetary policy, credit policy, interest rate policy or any economic packages (such as fiscal and trade policies) the Government may present. A study guide which is an essential part of this book is a great help in systematic studying, particularly since active learning is so important.

Aziz Anuar