



B.E. International Program

Faculty of Economics, Thammasat University



Course Outline

EE 412 Macroeconomic Analysis Semester 2/2013 (January 13 – May 3, 2014)

Number of credits: 3 credits

Lecture Time: Wednesdays and Fridays 09.30 – 11.00 AM

Lecture Venue: Room 203, 2nd floor, Faculty of Economics
Thammasat University, Tha Prachan Campus

Instructor: Professor Dr. Arayah Preechametta

Office: Room 13, 4th Floor Faculty of Economics

Email: arayah@econ.tu.ac.th

Office Hours: Wed., 13.00 – 14.00 PM.

Prerequisites: *EE 312 and EE320 (or EE421)*

The course is designed for undergraduate students who are ready to study advanced macroeconomic analysis. Topics include dynamic macroeconomic analysis, asset price theory, economic growth and related policy issues.

Course Description

Macroeconomic theory with an emphasis on utilizing mathematical tools to analyze various economic issues, such as general equilibrium and welfare in resources allocation in modern macroeconomics, and long term growth issues, analytical framework for growth and short term fluctuations in economy both theoretically and empirically, role of government in economy, basic concepts of social security, role of money in the economy and impact on business cycle, rational expectations, macroeconomic policy framework, problem of consistency and reliability in implementation of the macroeconomic policies, rigidities of the economic system, implications of macroeconomic policies in solving economic problems and modern modeling concepts for macroeconomic policy analysis.

Textbooks

Romer, David. *Advanced Macroeconomics*, McGraw-Hill, Singapore, 2000.

Mankiw, Gregory, N., *Macroeconomics*, Worth Publishers, New York, 2006.

Blanchard, Olivier, J., and Stanley Fischer, *Lectures on Macroeconomics*, (Fourth Printing) the MIT Press, Cambridge, 1990.

Sargent, Thomas J., *Dynamic Macroeconomic Theory*, Harvard University Press, Cambridge, 1987.

Supplementary Textbooks in Macroeconomics and Mathematics

Chiang, Alpha E., *Elements of Dynamic Optimization*. McGraw-Hill, Singapore, 1992

Duffie, Darrell. *Dynamic Asset Pricing Theory*, (Second Edition) Princeton University Press, New Jersey, 1996

Milne, Frank. *Finance Theory and Asset Pricing*, (Second Edition) Oxford University Press, New York, 2003

1. Dynamic Macroeconomic Framework

- Introduction:
 - Static analysis
 - Dynamic analysis
- Solving a dynamic problem
 - Traditional method: system of simultaneous equations
 - Backward recursive method
- The Bellman's equations and time consistent optimal policies
- Applications:
 - Optimal consumption plan
 - Optimal growth

Readings:

- * Prescott, Edward C., (2006) “Nobel Lecture: The Transformation of Macroeconomic Policy and Research” *Journal of Political Economy*, 114 (2), 203-235.
- * Chapter 1 in Thomas Sargent’s *Dynamic Macroeconomic Theory*
- * Chapter 1, 2, 5, 6 and 10 in Olivier Blanchard and Stanley Fischer’s *Lectures on Macroeconomics*

2. Asset Price and Consumption

- Hall’s random walk of theory of consumption
- The random walk theory of stock prices
- Lucas’s model of asset prices
- Applications:
 - The term structure of interest rate
 - The value of a firm
 - Government debt: the Ricardian Proposition

Readings:

- * Chapter 3 in Thomas Sargent’s *Dynamic Macroeconomic Theory*
- Chapter 1-4 in Darrell Duffie’s *Dynamic Asset Pricing Theory*
- * Cox, Ingersoll, and Ross (1985), “An Intertemporal General Equilibrium Model of Asset Prices” *Econometrica* 53, 363-384.
- * Lucas, Robert E., (1978) “Asset Prices in an Exchange Economy” *Econometrica*, 46(6): 1426-1445.
- Lucas, Robert E., (1980) “Equilibrium in a Pure Currency Economy” *Economic Inquiry*, 18(2): 203-220

3. Economic Growth

- Neoclassical Growth Model and the balanced growth path
- The Ramsey-Cass-Koopmans Model
- The phase diagram:
 - The saddle path
 - Competitive equilibrium and Pareto efficiency

Readings:

- * Chapter 2 and 3 in David Romer's *Advance Macroeconomics*
- * Chapter 1 in Barro and Martin's *Economic Growth*
- * Chapter 3 in Olivier Blanchard and Stanley Fischer's *Lectures on Macroeconomics*
- Lucas, Robert E., (1988), "On the Mechanics of Economic Development".
Journal of Monetary Economics

Course Requirements

- Homework 10%
- Midterm Examination 40%
(March 7, 2014; 09.30-11.00 AM.)
- Final Examination 50%
(May 16, 2014; 09.00 AM. - noon.)

Important Dates

Class Begins	January 13, 2014
Adding and Dropping Course	January 13-27, 2014
Midterm Exam Period	March 3-8, 2014 (No Lectures)
Midterm Exam	March 7, 2014 ; 09.30 – 11.00 AM
Course Withdrawal with "W"	March 19-24, 2014
Class Ends	May 3, 2014
Final Exam	May 16, 2014 ; 09.00 AM - noon