

Course Outline

EE212: PRINCIPLES OF MACROECONOMICS (SEC. 046401)

Semester 2/2021-2 (January 10 – May 7, 2022)

Number of Credit: 3

Prerequisite: none

Lecture Venue: Room (TBA), Faculty of Economics

Enrollment key #BE Moodle: 0158 (<http://bemoodle.econ.tu.ac.th/>)

(See more details on Class Time and Logistic for online classes and resources)

Instructor: Asst. Prof. Dr. Thorn Pitidol

Faculty of Economics, Thammasat University

Email: thorn@econ.tu.ac.th; **Office hours:** by appointment

Course Description:

Indicators, goals, and problems in Macroeconomics. Determination of national income, theories of aggregate consumption and aggregate investment, the accelerator principle, money markets, the theory of supply and demand for money, the joint equilibrium model of product and money markets (IS-LM model), the balance of payments, and fiscal and monetary policies as means to stabilize an economy. Collecting and managing Thai macroeconomic for analyzing economic conditions are introduced.

Course Objectives:

Student comprehends the principle macroeconomics theories and can apply those theories to analyze causes and effects of the movement of various macroeconomic variables in Thailand and some other countries' economies.

Class Time and Logistic

Class day: Tuesday and Thursday

Class time: 8.00 a.m. - 9.30 a.m.

1) Online Learning Management System: google classroom

Invitation Link: <https://classroom.google.com/c/NDUwNzlyNTk2NDk0?cjc=gisybax>

Passcode: gisybax

2) Online Meeting Platform: Zoom

Meeting ID: 965 8458 3115

Passcode: 090346

Other communication method: Line Group

Line Open Chat for Class:



Main Text:

Case, Karl E., Ray C. Fair and Sharon M. Oster (2017), *Principles of Macroeconomics* (13th ed.): Pearson International Edition.

Froyen, Richard T. (2009), *Macroeconomics, Theories and Policies* (9th ed.): Prentice Hall.

Recommended Texts & Materials

Coyle, D. (2014). *GDP: A Brief but Affectionate History*. Princeton University Press

Core-Econ, [*The Economy*](#).

Thorn Pitidol (2018) Changing Thailand's Future with Tax Reform, FES-Thailand

<https://library.fes.de/pdf-files/bueros/thailand/14720.pdf>

Lipsey, R.G., Ragan, C.T.S. and Storer, P.A. (2008), *Economics* (13th ed.): Pearson Addison-Wesley

Mankiw, N.G., *Principles of Macroeconomics* (2009): South-Western Cengage Learning

Krugman, P. and Robin Wellls (2018), *Macroeconomics* (5th ed.): Worth Publishers.

Grading Criteria:

Essay	10%
Group assignments/quizzes	10%
Midterm exam (Tuesday, March 1, 2022; 09.00 – 11.00 AM)	30%
Final exam (Wednesday, May 11, 2022; 1.30 – 4.30 PM)	50%

Essay:

Student is required to write an essay (approximately 800 words). Its objective is to encourage student to read, think, analyse and write academic essay. *Plagiarism will not be tolerated*. More detail about topics and structure will be announced in class.

Tentative Class Schedule:

Topics

1. Introduction to Macroeconomics (4.5 hours)

- 1.1 Introduction to Economics
- 1.2 Macroeconomic objectives and macroeconomic policy
- 1.3 A brief history of macroeconomics
 - 1.3.1 Keynes VS Hayek
- 1.4 Basics in macroeconomics
 - 1.4.1 Tools in understanding macroeconomics
 - 1.4.2 Tradeoffs between macroeconomic objectives
 - 1.4.3 Basic concepts in macroeconomics
 - 1.4.3.1 Resource maintenance: stock vs. flow variables
 - 1.4.3.2 Production: real vs. nominal variables
 - 1.4.3.3 Distribution
 - 1.4.3.4 Consumption
- 1.5 Well-being, poverty, inequality

Read: Case, Fair & Oster, ch. 5, 7; LRS, ch. 1, 2, 19, 31; Mankiw ch. 1, 2, 23
First chapter of the ebook from <http://www.core-econ.org/>

2. National Income and National Product (4.5 hours)

- 2.1 Circular flow of production and expenditure
- 2.2 Meaning and significance of national income accounting
- 2.3 GDP: A brief history
- 2.4 Distinction between GNP and GDP
- 2.5 Measurement of GDP
 - 2.5.1 Expenditure approach
 - 2.5.2 Income approach
 - 2.5.3 Product approach
- 2.6 Applications of GNP in economic analysis
 - 2.6.1 Distinction between Money and Real GNP
 - 2.6.2 GNP per capita
 - 2.6.3 GDP growth
 - 2.6.4 Some remarks on the applications of GDP concept
- 2.7 Measurement of price level
- 2.8 Measurement of unemployment

Read: Case, Fair & Oster, ch. 6; LRS, ch.20, Mankiw ch. 10, 11

Coyle, D. (2014). GDP: A Brief but Affectionate History. Princeton University Press

3. National Income and Equilibrium Determination (9 hours)

3.1 Introduction

3.2 Composition of desired aggregate expenditure (DAE)

3.2.1 Desired aggregate consumption expenditure and consumption theories

3.2.1.1 Absolute income hypothesis

3.2.1.2 Permanent income hypothesis

3.2.1.3 Life cycle hypothesis

3.2.2 Desired aggregate investment expenditure

3.2.2.1 Determination of aggregate investment

3.2.2.2 Present Value (PV) and net present value (NPV) concept

3.2.2.3 MEC and MEI

3.2.2.4 The accelerator principle

3.2.3 Desired aggregate government expenditure

3.2.4 Desired aggregate net exports

3.3 Equilibrium national income

3.3.1 Definition

3.3.2 Determination of equilibrium national income

3.3.2.1 $Y = DAE$ approach

3.3.2.2 Leakage = Injection approach

3.3.3 Changes in equilibrium national income and adjustment to new equilibrium

3.4 Paradox of Thrift

3.5 Inflationary and deflationary gap

Read: Case, Fair & Oster, ch. 8; LCR, ch.21, 22

4. Fiscal Policy at Work (3 hours)

4.1 Meaning, objectives and tools of fiscal policy

4.2 Effects of fiscal policy on equilibrium national income

4.2.1 The government spending multiplier

4.2.2 The tax multiplier

4.2.3 The balanced-budget multiplier

4.3 Fiscal policy and its effectiveness in solving macroeconomics problems

4.4 The real world of fiscal policy

4.4.1 Fiscal budget

4.4.2 Taxation

4.4.3 Government debt

4.5 Case Study: Reforming Thailand's Tax System

Read: Case, Fair & Oster, ch. 9; LCR, ch. 32, Froyen Ch. 18, Mankiw ch. 21

Thorn Pitidol (2018) Changing Thailand's Future with Tax Reform, FES-Thailand

<https://library.fes.de/pdf-files/bueros/thailand/14720.pdf>

5. The Money Market and Monetary Policy (3 hours)

5.1 Demand for money

5.1.1 Transaction demand for money

5.1.2 Precautionary demand for money

5.1.3 Speculative demand for money

5.2 Supply of money

5.2.1 The banking system and money creation

5.2.2 Money multiplier and the size of money supply

5.3 Equilibrium in money market

5.4 Monetary policy

5.4.1 The role of the central bank

5.4.2 Controlling the quantity of money

Read: Case, Fair & Oster, ch. 10-11; LRS, ch. 27, 28, 29, Froyen ch. 16, Mankiw ch. 16

6. The IS-LM Model (9 hours)

6.1 Product market and IS curve

6.1.1 Investment, interest rate and product market equilibrium

6.1.2 The derivation of IS curve

6.1.3 Factors determining slope of IS curve

6.1.4 Shifts in IS curve

6.2 Money market and LM curve

6.2.1 The derivation of LM curve

6.2.2 Factors determining slope of LM curve

6.2.3 Shifts of LM curve

6.3 IS-LM in terms of equation

6.4 The IS-LM combined

6.5 Changes in equilibrium of product and money market

Read Froyen, ch. 7

7. Policy Effectiveness (3 hours)

7.1 Fiscal policy effectiveness

7.1.1 Fiscal policy effectiveness and slope of IS curve

7.1.2 Fiscal policy effectiveness and slope of LM curve

7.2 Monetary policy effectiveness

7.2.1 Monetary policy effectiveness and slope of IS curve

7.2.2 Monetary policy effectiveness and slope of LM curve

Read Froyen, ch. 7

8. The Ad-AS Model and inflation (6 hours)

- 8.1 Aggregate Demand (AD)
 - 8.1.1 The derivation of AD curve from IS-LM model
 - 8.1.2 Move along AD curve
 - 8.1.3 Shift of AD curve
- 8.2 Aggregate Supply (AS)
 - 8.2.1 Short-run AS
 - 8.2.2 Long-run AS
 - 8.2.3 Move along AS and shift of AS
- 8.3 Equilibrium and changes in equilibrium
 - 8.3.1 Equilibrium in AD-AS model
 - 8.3.2 Changes in equilibrium in AD-AS model
- 8.4 The analysis of fiscal policy and monetary policy using AD-AS model
- 8.5 Inflation
 - 8.5.1 Definition
 - 8.5.2 Causes of inflation
 - 8.5.2.1 Demand-pull inflation
 - 8.5.2.2 Cost-push inflation
 - 8.5.3 Phillips Curve

Read: Case, Fair & Oster, ch. 12, 13; Froyen, ch. 8, ch. 10; LRS, ch. 23, 24, 25, 30; Mankiw ch. 20, 21, 22

9. International Economics (3 hours)

- 9.1 Introduction to international trade
- 9.2 The Balance of Payment
- 9.3 Relationship between difference in saving and investment and current account
- 9.4 The market for foreign exchanges
 - 9.4.1 Meaning and importance of foreign exchange rate
 - 9.4.2 Demand for foreign exchanges
 - 9.4.3 Supply of foreign exchanges
 - 9.4.4 Exchange rate system

Read: Case, Fair & Oster, ch. 19; LRS, ch. 34, 35, Froyen ch. 14, Mankiw ch. 18

Expected Learning Outcomes:**1. Morality and Ethics**

Applicability	Expected Learning Outcomes
●	1.1 Students demonstrate integrity.
○	1.2 Students prioritize social and public benefits over personal ones.
●	1.3 Students are punctual and comply with the code of conduct of the institution and society at large.
○	1.4 Students are responsible and accountable to society, the nation, and the subject of economics.
○	1.5 Students realize the cultural and environmental value of the sustainable society.

2. Knowledge

Applicability	Expected Learning Outcomes
●	2.1 Students know and understand modern economics principles and theories, and are up to date with new developments.
●	2.2 Students know and understand Thai and global economic structure, and the importance of major international economic events.
●	2.3 Students know and understand instruments of economic analysis.
●	2.4 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.
○	2.5 Students are informed about related fields including sociology, business administration, education, law policy, and science.

3. Intellectual Development

Applicability	Expected Learning Outcomes
●	3.1 Students have developed individual critical thinking.
●	3.2 Students are sufficiently trained in research skills.
●	3.3 Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand causes of current economic problems in Thailand. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems.

4. Interpersonal Skills and Responsibilities

Applicability	Expected Learning Outcomes
●	4.1 Students are responsible for assigned tasks and work in groups effectively.

<input type="radio"/>	4.2 Students have problem-solving skills.
<input type="radio"/>	4.3 Students show leadership skills and team spirit.
<input checked="" type="radio"/>	4.4 Students are always improving themselves.
<input type="radio"/>	4.5 Students have good interpersonal skills, adapting and working under different conditions.

5. Quantitative Analysis, Communication and Information Technology

Applicability	Expected Learning Outcomes
<input checked="" type="radio"/>	5.1 Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems.
<input type="radio"/>	5.2 Students communicate effectively and select appropriate presentation methods.
<input checked="" type="radio"/>	5.3 Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results.

ACADEMIC CALENDAR & HOLIDAY SEMESTER 2/2021

Semester 2/2021 (January 10 – May 7, 2022)	
Classes Begin	January 10, 2022
Add-drop period	January 17 - 20, 2022 <i>(from 9.00 AM of January 17 to 10.30 PM of January 20)</i>
Tuition Fee Payment Period	7 December, 2021 - January 23, 2022 <i>(9 AM - 10.30 PM)</i>
<i>Makha Bucha Day*</i>	<i>February 16, 2022</i>
Mid-term Examination Period	February 28 - March 5, 2022
Withdrawal period with "W" on record	March 14 - April 25, 2022 <i>(from 9.00 AM of March 14 to 10.30 PM of April 25)</i>
<i>Chakri Memorial Day*</i>	<i>April 6, 2022</i>
<i>Songkran Festival Day*</i>	<i>April 11 - 17, 2022</i>
<i>Coronation Day*</i>	<i>May 4, 2022</i>
Last day of class for Semester 2/2021	May 7, 2022
Final exam period	May 9 - 12, 17 - 25, 2022
<i>Royal Ploughing Ceremony Day*</i>	<i>May 13, 2022</i>
<i>Visakha Bucha Day*</i>	<i>May 15, 2022</i>
<i>Substitution for Visakha Bucha Day*</i>	<i>May 16, 2022</i>

Remark * Holiday, No classes during this period