



# B.E. International Program

## Faculty of Economics, Thammasat University



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### Course Syllabus

#### EE 212 Principles of Macroeconomics Section 046401

**Semester:** 1/2020

**Number of credits:** 3 credits (3-0-6)

**Lecture Time:** Tuesday and Thursday, 09.30 – 11.00 hours

**Lecture Venue:** Room 304, Faculty of Economics

**Instructor:** **Asst. Prof. Dr. Nessara Sukpanich**

**Office:** Room 463, Faculty of Economics

**Email:** [nessara@econ.tu.ac.th](mailto:nessara@econ.tu.ac.th)

**Office hours:** by appointment (please email or contact instructor in the classroom to make an appointment)

#### Course Description:

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

#### Course Objectives

Student shall be equipped with knowledge of principle of macroeconomics. By the end of the semester student should understand macroeconomic news and be able to analyze cause and effects of key macroeconomic variables

## Evaluation:

Homework and other individual or group assignments/quizzes	10%
Midterm exam (Tuesday 29 September 2020, 09.00 a.m. – 11.00 a.m.)	35%
Final exam (Thursday 3 December 2020, 09.00 a.m. – 12.00 p.m.)	55%

## Main Text (Choose one of these textbooks, then choose the latest edition available for that textbook):

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

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

## Recommended Text

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

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

## Course Policy

- ◆ Use of cellphone or electronic device is not allowed in class unless specify in class or for reasonable purposes
- ◆ Dress properly to class
- ◆ No make up exam

## Topics:

### 1. Introduction to Macroeconomics (4.5 hours)

- 1.1 Introduction to Economics
- 1.2 Macroeconomic objectives and macroeconomic policy
- 1.3 Types of macroeconomics variables
  - 1.3.1 Stock vs flow variables
  - 1.3.2 Real vs nominal variables
- 1.4 Key Macroeconomic variables
  - 1.4.1 Output/Input
  - 1.4.2 Employment/Unemployment
  - 1.4.3 Price level/Inflation
  - 1.4.4 Interest rate
  - 1.4.5 Exchange rate
- 1.5 Brief history of macroeconomics

Read: Case, Fair & Oster, ch. 5, 7; LRS, ch. 1, 2, 19, 31; Mankiw ch. 1, 2, 23

## **2. National Income and National Product (4.5 hours)**

- 2.1 The component of macro economy
- 2.2 Circular flow diagram
- 2.3 National income and product account
- 2.4 GDP vs GNP
- 2.5 Measurement of GDP
  - 2.5.1 Product approach
  - 2.5.2 Expenditure approach
  - 2.5.3 Income approach
- 2.6 Nominal GDP vs. Real GDP and GDP deflator
- 2.7 Limitation of GDP concept

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

## **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
- 3.6 Keynesian, Classical and Non-Keynes non-classical concept

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

## **4. Fiscal Policy at work (3 hours)**

- 4.1 Meaning of fiscal policy
- 4.2 Objectives of fiscal policy
- 4.3 Fiscal policy tools
  - 4.3.1 Government expenditure
  - 4.3.2 Government transfer payment

- 4.3.3 Government revenue
- 4.3.4 Public debt
- 4.4 Types of government policy

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

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

- 5.1 Money creation and money multiplier
- 5.2 Money and money market
- 5.3 Money supply and Central bank roles
  - 5.3.1 Money supply
  - 5.3.2 Central bank roles
- 5.4 Demand for money
- 5.5 Equilibrium in money market
- 5.6 Changes in equilibrium money market

Read: Case, Fair & Oster, ch. 10; 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

## Remarks:

- ◆ **Mid-Term Examination (Tuesday, 29 September 2020, 09.00 - 11.00 hrs.)**
- ◆ **Final Examination (Thursday, 3 December 2020, 09.00 – 12.00 hrs.)**