B.E. International Program

Faculty of Economics, Thammasat University

Course Outline

EE 312 Macroeconomics Theory

Semester: 2/2011 (January 9 – April 29, 2012)

Instructor: Professor Dr. Pranee Tinakorn
Room 452, Faculty of Economics
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Tel. 02 613 2450

Lecture Time: Wednesdays and Fridays, 09.30 – 11.30 hrs.
Lecture Venue: Room 304, Faculty of Economics

Prerequisites: a) EE211 and EE212 or b) EE213 and EE214

I. Course Description

Analysis of joint equilibrium in product market, money market, and foreign exchange market (the IS-LM-BP model) as well as changes in equilibrium. The relationship between the product market and the labor market. The model of aggregate demand and aggregate supply in closed and open economies. Inflation, unemployment, and the Phillips curve. Real Business Cycle model and New Keynesian economics. Economic stabilization policies and Growth theory. Applications of macroeconomic theory to analyze economic situations.

II. Course Objectives

To provide students with an understanding of macroeconomics theory and the factors affecting the short-run and long-run performance of the economy as well as an analysis of stabilization policies and economic growth.

III. Course Evaluation

Homework and assignment	20 points
Midterm Exam	30 points
Final exam	50 points
Total	100 points

Midterm Exam Date Wednesday, February 29, 2012; 10.30-12.30 hrs.
Final Exam Date Friday, May 4, 2012: 09.00-12.00 hrs.

Remarks:

- Second semester begins — Jan. 9, 2012
- Period of withdrawal without “W” — Jan. 9-23, 2012
- Mid-Term Examination — Feb. 27 – March 3, 2012
- Last day of withdrawal with “W” — March 21, 2012
- Last day of class — Apr. 29, 2012
- Final Examination — May 4 - 20, 2012

IV. Recommended Textbooks and Other References

1. Froyen, R. T., **Macroeconomics: Theories and Policies**, 9th edition, Prentice-Hall Inc., New Jersey, 2009
2. Mankiw, N.G., **Macroeconomics,** 7th edition, Worth Publishers, 2010

Other references for further reading

1. Andrew B. Abel, Ben S. Bernanke, and Dean Croushore, **Macroeconomics**, 6th edition, Pearson International, 2008
2. Olivier Blanchard, **Macroeconomics**, 5th edition, Pearson International Edition, 2009.
3. Rudiger Dornbusch, Stanley Fischer, and Richard Startz, **Macroeconomics**, 10th edition, Mcgraw-Hill International, 2008.
4. Stephen Williamson, **Macroeconomics**, 3rd edition, Pearson International, 2008.

V. Course Outline

1. Introduction: Macroeconomic Analysis (2 hrs.)

1.1 Subject matter of macroeconomics
1.2 Macroeconomic variables and measurement
1.3 Analytical framework and schools of thoughts
(Froyen, Chapter 1, 2)

2. Joint equilibrium in the product and money market (12 hrs.)

2.1 Analysis of product and money market (IS-LM model)
2.2 Policy effects in the IS-LM Framework
2.3 Relative effectiveness of Fiscal and Monetary Policy
(Froyen, Chapter 5, 6, 7)

3. Open Economy Macroeconomics (10 hrs.)

3.1 Components in Balance of Payments
3.2 Foreign exchange market and exchange rate systems
3.3 Derivation of Balance of Payments Curve (BP)
3.4 Internal-External Joint Equilibrium (IS-LM-BP model)
3.5 Monetary and Fiscal Policy in the Open Economy
(Froyen, Chapter 14, 15)

4. The Model of Aggregate Supply and Aggregate Demand (12 hrs.)

4.1 The Labor Market and Aggregate Supply (AS)
4.1.1 The Classical Model

        4.1.2 The Keynesian Model
    4.2 The Aggregate Demand (AD)
        4.2.1 The Classical Model
        4.2.2 The Keynesian Model
    4.3 Keynesian vs. Classical Economics
    4.4 AD and AS in an Open Economy
    (Froyen, Chapter 3, 4, 8)

5. Inflation, Unemployment and the Phillips Curve (8 hrs.)
- 5.1 The Monetarist View
- 5.2 The Natural Rate Theory
- 5.3 Monetarist and Keynesian Views of the Unemployment and Inflation Trade-off

(Froyen, Chapter 9, 10)

6. New Classical Economics (4 hrs.)
- 6.1 Rational Expectation
- 6.2 Policy Implications under Rational Expectation

(Froyen, Chapter 11)

7. Real Business Cycles and New Keynesian Economics (4 hrs.)
- 7.1 Real Business Cycle Model
- 7.2 New Keynesian Economics

(Froyen, Chapter 12, 13)

8. Macroeconomic goals and policies (4 hrs.)
- 8.1 Monetary Policy
  - 8.1.1 Money and interest rates
  - 8.1.2 Competing Strategies
  - 8.1.3 Recent strategy: inflation targeting
- 8.2 Fiscal Policy

(Froyen, Chapter 16, 17, 18)

9. Economic growth (10 hrs.)
- 9.1 Capital Accumulation and the Golden Rule Level of Capital
- 9.2 Population growth
- 9.3 Technological Progress and Productivity
- 9.4 Policies to promote economic growth
- 9.5 Endogenous growth theory

(Froyen, Chapter 19, 20; Mankiw, Chapter 7, 8)

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Cancel	Make up
Friday 13 January 2012	Wednesday 18 January 2012, 11.30-12.30 Wednesday 25 January 2012, 11.30-12.30
Friday 3 February 2012	Wednesday 1 February 2012, 11.30-12.30 Wednesday 8 February 2012, 11.30-12.30