

Course Outline

EE312 Macroeconomic Theory (Sec.046402)

Semester 2/2022 (January 9th – May 6th, 2023)

Number of Credit: 4 credits

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

Course Description: The model of joint equilibrium in product markets, money markets, and foreign exchange markets (the IS-LM-BP model); changes in equilibrium; product markets and labor markets; the model of aggregate supply and demand in closed and open economies; inflation, unemployment, and the Phillips curve; economic stabilization policies; growth theory, micro-foundation of macroeconomics focusing on real business cycle model, new classical model, and new Keynesian model; applications of Macroeconomic theory to analyze economic situations.

Course Objectives:

To provide students with an understanding of macroeconomic theory and its analytical approach to economic system, as well as an ability to apply macroeconomic theory to economic problems and policies.

Class Time and Logistic

Class day: Wednesday & Friday

Class time: 11.00 – 13.00 hrs.

Venue: Room 304, Faculty of Economics

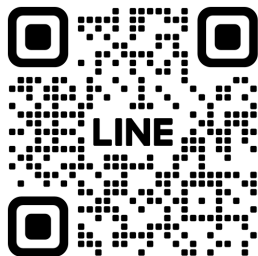
Teaching Materials Platform:

<https://classroom.google.com/c/NTgxMDI4NjU2NDk2?cjc=ngnwzxp>

Instructor:

Name: Asst. Prof. Dr. Sicha Thubdimphun
Office Hours: Wednesday 14.30 – 15.30 (Rm#469)
Email: sicha@econ.tu.ac.th

Line Official : (Important news announcement only. If you want to contact the instructor, please send an email.)

**Expected Learning Outcomes****1. Morality and Ethics EE312**

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students demonstrate integrity.	Quizzes & Group HW / Exams
○	2. Students prioritize social and public benefits over personal ones.	
●	3. Students are punctual and comply with the code of conduct of the institution and society at large.	Observed class attendance / Quizzes & Group HW / Exams
○	4. Students are responsible and accountable to society, the nation, and the subject of economics.	
○	5. Students realize the cultural and environmental value of a sustainable society.	

2. Knowledge

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students know and understand modern economics principles and theories, and are up to date with new developments.	In-class participations / Quizzes & Group HW / Exams
●	2. Students know and understand Thai and global economic structure and the importance of major international economic events.	In-class participations / Quizzes & Group HW / Exams

●	3. Students know and understand the instruments of economic analysis.	In-class participations / Quizzes & Group HW / Exams
●	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.	In-class participations / Quizzes & Group HW / Exams
○	5. Students are informed about related fields including sociology, business administration, education, law policy, and science.	

3. Intellectual Development

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students have developed individual critical thinking.	In-class participations / Quizzes & Group HW / Exams
●	2. Students are sufficiently trained in research skills.	In-class participations / Quizzes & Group HW / Exams
●	3. Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand the causes of current economic problems in Thailand. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems.	In-class participations / Quizzes & Group HW / Exams

4. Interpersonal Skills and Responsibilities

Applicability	Expected Learning Outcomes	Evaluation Method
●	1. Students are responsible for assigned tasks and work in groups effectively.	In-class participations / Quizzes & Group HW / Exams
●	2. Students have problem-solving skills.	In-class participations / Quizzes & Group HW / Exams
○	3. Students show leadership skills and team spirit.	
●	4. Students are always improving themselves.	In-class participations / Quizzes & Group HW / Exams
○	5. Students have good interpersonal skills, adapt, and work under different conditions.	

5. Quantitative Analysis, communication, and information technology

Applicability	Expected Learning Outcomes	Evaluation Method
○	1. Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems.	
○	2. Students communicate effectively and select appropriate presentation methods.	
○	3. Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results.	

Remark: ● Primary expected outcome ○ Secondary expected

Main Text:

- Mankiw Gregory “Macroeconomics. Pearson Education, 2016 (M.)
- Froyen Richard. Macroeconomics: Theories and Policies. 10th edition. Pearson Education Limited, 2013. (F.)
- Williamson Stephen D. Williamson. Macroeconomics. 5th edition. Pearson Education Limited, 2018. (W.)

Suggested Readings:

Supplement readings will be posted on the *Google Classroom*.

Assessments:

• Quizzes & HW	15	points
• Mid-term exam	40	points
• Final exam	45	points
Total	<u>100</u>	points

Note: Evaluation methods and weights are subject to change.

Video Recording Policy

Make-up classes may be recorded for the convenience and review of students who are unable to attend in person. However, regular classes will not be recorded. If you cannot attend a make-up class, please inform the instructor in advance so arrangements can be made for the recording.

Please note that recorded classes are for personal use only and may not be shared or distributed

Grading Criteria:

To determine the letter grade, I use a mixed procedure between the criteria-based and the distribution-based method. When the criteria-based grading can be directly applied, I follow the general guideline of the university described below.

A = 4.0 (85-100)	B+ = 3.5 (75-84)
B = 3.0 (70-74)	C + = 2.5 (65-69)
C = 2.0 (60-64)	D+ = 1.5 (50-59)
D = 1.0 (40-49)	F = 0 (0-39)

Tentative Class Schedule:

Topics	Reading
1. Overview and introduction (0.5 lecture)	
1.1) Class overview: <i>logistic information</i>	<i>W. Ch. 1/ Ch. 2</i>
1.2) Roadmaps: <i>where we are headed</i>	
1.3) Measuring macroeconomic activities (self-study)	<i>Self-study Video clip</i>
Part I Closed-economy business cycle fluctuations (9 lectures)	
2. Introduction to business cycle studies and economic fluctuation (0.5 lecture)	
2.1) What is a business cycle?	<i>W. Ch. 3</i>
2.1.1) Nature of macroeconomic data	

Topics	Reading
2.1.2) Measuring and characterizing business cycles	<i>M. Ch. 10</i>
2.2) Framework for business cycles theory	
2.2.1) Ingredient of business cycle theories	
2.2.2) Overview of AD-AS framework	
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3. The core AD-AS framework (5 lectures)	
3.1) The Classical long-run macroeconomy (1.5 lecture)	
3.1.1) Aggregate production function	<i>F. Ch. 3 - 4</i>
a) <i>Key properties and Graphical illustration</i>	
b) <i>Law of diminishing marginal product</i>	<i>M. Ch 3</i>
3.1.2) Labour market outcome	
a) <i>Labour supply</i>	
b) Labour demand	
3.1.3) Natural level of aggregate variables and Potential output	
3.2) Foundation of aggregate demand theory (0.5 lecture)	
3.2.1) Keynesian DAE	<i>Self-study Video clip</i>
3.2.2) The IS-LM model	
3.3) Foundation of aggregate supply theory (1.0 lecture)	<i>F. Ch. 5 - 6</i>
3.3.1) Long-run aggregate supply	
3.3.2) Short-run aggregate supply	
3.4) AD-AS equilibrium and business cycles (2.0 lectures)	<i>M. Ch. 14</i>
3.4.1) Short-run fluctuations	
a) <i>Shocks and Propagation mechanism</i>	
b) <i>Macroeconomic policy analysis</i>	
3.4.2) Self-adjusting mechanism and Medium-run fluctuations	
a) <i>Swift adjustment process</i>	
b) <i>Gradual adjustment process</i>	
c) <i>Staggered adjustment process</i>	
3.4.3) How well does the AD-AS framework fit the data? (optional)	
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4. Inflation and business cycles (3.5 lectures)	
4.1) Some stylized facts of inflation	
4.2) Long-run theory of inflation	<i>M. Ch. 5</i>
4.2.1) Quantity theory of money	
4.2.2) Cost and benefit of inflation	
4.3) Business cycles perspectives of inflation	
4.3.1) The Phillips curve and its derivation	
4.3.2) Short-run <i>and</i> Long-run Phillips curve	<i>M. Ch. 14</i>
4.4) Macroeconomic policy design	
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Part II Open-economy business cycle fluctuations (4.5 lectures)	
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5. International financial markets (1.5 lectures)	
5.1) Keep tracking in the globally connected economy: <i>international accounts</i>	<i>Self-study video clip</i>
5.1.1) Current account	
5.1.2) Capital account	<i>F. Ch 14</i>
5.1.3) Balance of payments account	
5.2) Foreign exchange market	

Topics	Reading
5.2.1) Exchange rate determination: <i>Long-run PPP approach</i>	<i>F. Ch 14</i>
5.2.2) Exchange rate determination: <i>Short-run approach</i>	
a) <i>Demand and Supply for foreign currency</i>	
b) <i>Equilibrium exchange rate and Balance of payments</i>	
5.2.3) Exchange rate economics	
a) <i>Flexible exchange rate regime</i>	
b) <i>Fixed exchange rate and Implementations</i>	
c) <i>Exchange rate policies and sterilizations</i>	

6. Framework for open-economy business cycle analysis (3 lectures)

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| 6.1) | An open-economy macroeconomics model: <i>IS-LM-BP framework</i> | <i>F. Ch 15</i> |
| 6.1.1) | Open-economy IS curve | |
| 6.1.2) | Open-economy LM curve | |
| 6.1.3) | The balance of payment curve (BP curve) | |
| 6.2) | Disequilibrium and adjustments towards equilibrium | |
| 6.2.1) | Adjustments under flexible exchange rate | |
| 6.2.2) | Adjustments under fixed exchange rate | |
| 6.3) | Macroeconomic shocks and open-economy propagation mechanism | |
| 6.3.1) | Origin of the fluctuations | |
| 6.3.2) | Spill-over effect and international transmission of shocks | |
| 6.3.3) | Equilibrium adjustment under different exchange rate regimes | |
| 6.3.4) | The case of flexible exchange rate regime | |
| 6.4) | Macroeconomic policies under a small opened economy | |
| 6.4.1) | Macroeconomic imbalances and policy corrections | |
| 6.4.2) | Issues on policy effectiveness | |
| 6.4.3) | The impossibility trinity theorem | |

Mid-term Exam: Friday, March 3, 2023; 12.00 - 14.30 hrs. (2.30 hrs)

Part III: Micro-foundation approach to macroeconomics

7. A Closed-Economy One-Period Macroeconomic Model (4 lectures)

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| 7.1) | General equilibrium macroeconomy and Circular flow of macroeconomy | <i>W. Ch 4</i> |
| 7.2) | Optimizing-agent decision | |
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Topics	Reading
<ul style="list-style-type: none"> 7.2.1) Households <ul style="list-style-type: none"> a) <i>Preferences over consumption and leisure</i> b) <i>Choice set and constraint</i> c) <i>Work-leisure decision and labor supply</i> 7.2.2) Firms <ul style="list-style-type: none"> a) <i>Production and technology</i> b) <i>Profit maximization problem and labour demand</i> 	
<ul style="list-style-type: none"> 7.3) Competitive equilibrium and Pareto optimality <ul style="list-style-type: none"> 7.3.1) Government and tax 7.3.2) Equilibrium 7.3.3) Pareto optimality 7.4) Model applications <ul style="list-style-type: none"> 7.4.1) Changes in government spending 7.4.2) Changes in total factor productivity 	W. Ch 5
<p>8. Two-Period model: the consumption-savings decision (3 lectures)</p> <ul style="list-style-type: none"> 8.1) Credit market and allocation over time 8.2) Preference over life-time consumption <ul style="list-style-type: none"> 8.2.1) Intertemporal life-time consumption problem 8.2.2) Behaviour of current consumption and its determinants <ul style="list-style-type: none"> a) <i>Effect of interest rate on consumption and saving behaviour</i> b) <i>Effect of permanent and temporary increases in income</i> 8.3) Government sector and Competitive equilibrium 8.4) The Ricardian equivalence theorem 	W. Ch. 9
<p>9. A Real Intertemporal Model with Investment (5 lectures)</p> <ul style="list-style-type: none"> 9.1) Circular flow of a production economy over time 9.2) Optimizing-agent decision under intertemporal environment <ul style="list-style-type: none"> 9.2.1) Consumer's problem <ul style="list-style-type: none"> a) <i>Current labour supply</i> b) <i>Demand for consumption goods</i> 9.2.2) Consumer's problem <ul style="list-style-type: none"> a) <i>Current labour demand</i> b) <i>Investment decision</i> 9.3) Competitive equilibrium 9.4) Model applications <ul style="list-style-type: none"> 9.4.1) Changes in government spending 9.4.2) Change in capital stock 9.4.3) Change in total factor productivity 	W. Ch.11
<p>10. Long-term Economic Growth (4 lectures)</p> <ul style="list-style-type: none"> 10.1) Long-term growth stylized-facts 10.2) Growth accounting 10.3) Solow growth model 10.4) Theory confronts with data 10.5) Income disparities and Growth policies 	<p style="text-align: right;">W. Ch.7</p> <p style="text-align: right;">W. Ch.8</p>

Topics

Reading

Final Exam (Required): Thursday, May 18, 2023; 09.00 - 12.00 hrs. (3 hours)

ACADEMIC CALENDAR & HOLIDAY SEMESTER 2/2022

Semester 2/2022 (January 9 - May 6, 2023)	
Registration at REG TU (*ID.62-65)	November 22 – 25, 2022
Tuition Fee Payment Period (Via TU Greats App)	November 27, 2022 – January 7, 2023
Classes Begin	January 9, 2023
Add-drop period	January 9 - 22, 2023 <i>(from 9.00 AM of January 9 to 10.30 PM of January 22)</i>
Tuition Fee Payment Period (Via TU Greats App)	January 9 - 23, 2023 <i>(9 AM - 10.30 PM)</i>
Mid-term Examination Period	February 27 - 28 to March 4, 2023
<i>Makha Bucha Day*</i>	<i>March 6, 2023</i>
Withdrawal period with "W" on record	January 25 – March 19, 2023 <i>(from 9.00 AM of March 14 to 10.30 PM of April 25)</i>
<i>Chakri Memorial Day*</i>	<i>April 6, 2023</i>
<i>Songkran Festival Day*</i>	<i>April 10 - 16, 2023</i>
<i>Coronation Day*</i>	<i>May 4, 2023</i>
Last day of class for Semester 2/2022	May 6, 2023
Final exam period	May 8 – 22, 2023
<i>Royal Ploughing Ceremony Day*</i>	<i>To be announced</i>
Submitting Forms for Degree Conferral	January 9 - 22, 2023

Remark * Holiday, No classes during this period