



# B.E. International Program

Faculty of Economics, Thammasat University



## COURSE OUTLINE

### EE 212 PRINCIPLES OF MACROECONOMICS

Semester 2/2012 (January 13 – May 3, 2014)

**Number of credits:** 3 credits

**Lecture Time:** Tuesday and Thursday: 9:30-11:00 AM

<b>Instructor:</b>	<b>Section</b>	<b>Venue</b>	<b>Office</b>	<b>Email</b>
Ajarn Panit Wattanakoon	046401	303	15 (60 <sup>th</sup> year)	<i>panit@econ.tu.ac.th</i>
Dr.Thorn Pitidol	046402	304	Room 464	<i>thorn@econ.tu.ac.th</i>
Assoc.Prof.Dr.Patamawadee Pochanukul	046403	101	Room 508	<i>pat@econ.tu.ac.th</i>

**Office Hours:** By appointment

**Prerequisite:** *None*

### 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.

### Evaluation:

Midterm exam (Thursday, March 6, 2014, 9.30 a.m. - 11.00 a.m.)	30%
Final exam (Monday, May 12, 2014, 9.00 a.m. – 12.00 p.m.)	55%
Essay	15%

## Essay:

Student is required to write an essay (approximately 1,000-1,500 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 of the essay will be announced in class.

## Main Texts:

- Case, Karl E., Ray C. Fair and Sharon Oster (2011), *Principles of Macroeconomics* (11<sup>th</sup> ed.): Prentice Hall. [CFO]
- Goodwin, Neva; Julie A. Nelson, and Jonathan Harris. (2009). *Macroeconomics in Context*. Armonk: M.E. Sharpe
- Lipsey, R.G., Courant, C.T.S., and Ragan, P.A. (2008), *Economics* (13<sup>th</sup> ed.): Pearson Addison-Wesley [LCR]
- Wattanakoon, Panit. (2014), *Principles of Macroeconomics*, Faculty of Economics, Thammasat University. [W]

## Recommended Texts (alphabetical order):

- Abel, Andrew, Ben Bernanke and Dean Croushore. (2011), *Macroeconomics* (7<sup>th</sup> ed.) Pearson Educations,
- Arnold, Roger. (2010), *Macroeconomics* (9<sup>th</sup> ed.) South-Western
- Froyen, Richard T. (2012), *Macroeconomics: Theories and Policies* (10<sup>th</sup> ed.): Prentice Hall. [F]
- Mankiw, Gregory., *Principles of Macroeconomics* (2009): South-Western Cengage Learning

## Course Outline:

### 1. Introduction to Macroeconomics (January, 14 and 16)

- 1.1 Meanings, objectives, and macroeconomic policy
- 1.2 Basic concepts
  - 1.2.1 Stock vs flow variables
  - 1.2.2 Real vs nominal variables
- 1.3 The basic aspects of macroeconomics

Read: CFO, ch. 5, 7; LCR, ch. 21; W, ch.1; Handouts

### 2. National Income and National Product (January, 21, 23, 28 and 30)

- 2.1 Circular flow of production and expenditure
- 2.2 Meaning and significance of national income accounting
- 2.3 Distinction between GNP and GDP
- 2.4 Measurement of GDP
  - 2.4.1 Expenditure approach
  - 2.4.2 Income approach
  - 2.4.3 Product approach
- 2.5 Applications of GNP in economic analysis
  - 2.5.1 Distinction between Money and Real GNP
  - 2.5.2 GNP per capita
  - 2.5.3 GDP growth
  - 2.5.4 Some remarks on the applications

- 2.6 Measurement of price level
- 2.7 Measurement of unemployment

Read: CFO, ch. 6; LCR, ch.3, 22; W. ch.2

### **3. National Income and Equilibrium Determination** (February, 4, 6, 11, 13 and 18)

- 3.1 Introduction
- 3.2 Composition of desired aggregate expenditure (DAE)
  - 3.2.1 Desired aggregate consumption expenditure and consumption theories
  - 3.2.2 Desired aggregate investment expenditure
  - 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
    - 3.3.2.3 Adjustment to equilibrium
- 3.4 Changes in equilibrium national income and the multipliers
  - 3.4.1 Constant price level
  - 3.4.2 Price level varies
- 3.5 Paradox of Thrift
- 3.6 Inflationary and deflationary gap

Read: CFO, ch. 8; LCR, ch. 23-24; W. ch.3

### **4. Fiscal Policy at work** (February, 20, 25 and 27)

- 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 Quasi-fiscal tools
  - 4.4.3 Taxation
  - 4.4.4 Government debt

Read: CFO, ch. 9; LCR, ch. 26; W, ch.5

### **5. The Money Market and Monetary Policy** (March 11, 13 and 18)

- 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: CFO, ch. 10-11; LCR, ch. 27-29, F. p.335-339; W, ch.6

## **6. The IS-LM, AD-AS Model and Its Application** (March, 20, 25, 27 and April, 1 and 3)

- 6.1 Introduction to the general equilibrium model
  - 6.1.1 The derivation of IS schedule
  - 6.1.2 The derivation of LM schedule
  - 6.1.3 The IS-LM combined
- 6.2 The derivation of aggregate demand (AD)
- 6.3 Aggregate supply
  - 6.3.1 Short-run AS
    - 6.3.1.1 Classical school
    - 6.3.1.2 Keynes
    - 6.3.1.3 Non-Keynes and Non-Classics
  - 6.3.2 Long-run AS
- 6.4 Determination of equilibrium, change in equilibrium, and multipliers
- 6.5 The equilibrium price level and inflation
  - 6.5.1 Definition
  - 6.5.2 Causes of inflation
    - 6.5.2.1 Demand-pull inflation
    - 6.5.2.2 Cost-push inflation
- 6.6 Applying the IS-LM and AD-AS models to analyze policy effectiveness
  - 6.6.1 Monetary policy and its effectiveness in solving macroeconomics problems
  - 6.6.2 Fiscal policy and its effectiveness in solving macroeconomics problems

Read: CFO, ch. 13; F. ch. 9, LCR, ch. 25-26, 30; W, ch.4, 7 and 9; Handouts

## **7. International Economics** (April, 8, 10 and 17)

- 7.1 International Trade
- 7.2 The balance of payments
- 7.3 The market for foreign exchanges
  - 7.3.1 Demand for foreign exchanges
  - 7.3.2 Supply of foreign exchanges
  - 7.3.3 Equilibrium exchange rate
- 7.4 The effects of exchange rates on the economy

Read: CFO, ch. 21; LCR, ch. 35-37; W, ch.8

**8. Macroeconomics at Work: Development Economics** (April, 22, 24 and 29)

8.1 Growth and middle-income trap (guest lecturer)

8.2 Inequality

8.3 Rural-urban linkages

Read: TBA

**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**

**Thursday, March 6, 2014; 9.30-11.00 AM**

Course Withdrawal with "W"

March, 19-24, 2014

Class Ends

May 3, 2014

**Final Exam**

**Monday, May 12, 2014; 09.00 AM-12.00 PM**

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