

Course Syllabus

EE 312 MACROECONOMIC THEORY

Semester 2/2019 (January 13 – May 10, 2020)

1. **Number of credits:** 4 credits (4-0-8)
2. **Lecture Time:** Section 046401: Wednesday and Friday, **11.00 – 13.30 hours**
3. **Lecture Venue:** Section 046401: Room 304 Faculty of Economics
4. **Instructor:** **Section 046401: Asst. Prof. Dr. Kittichai Saelee**

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Office hours: by appointments (via email)

5. 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, new Keynesian economic theory; the real business cycle theory; applications of Macroeconomic theory to analyze economic situations.

6. **Prerequisites:** a) EE211 and EE212 or b) EE213 and EE214

7. Objective of the Course

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.

8. Evaluation:

In-class / Group assignment	10	points (max of 5 students)
Mid-term exam	40	points
Final exam	50	points
Total	<u>100</u>	points

Mid-term exam date: Wednesday 4 March 2020
Time: 11.30 – 14.00 hrs (2.30 hours)

Final exam date: Monday 18 May 2020
Time: 13:30 - 16:30 hrs (3 hours)

Remarks: *No class on March 25th and 27th*

9. Textbooks:

- 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.)

Supplement readings will be posted on the *BE moodle*.

11. Expected Learning Outcomes:

11.1) 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.

11.2) 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.

11.3) 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.

11.4) Interpersonal Skills and Responsibilities

Applicability	Expected Learning Outcomes
●	4.1 Students are responsible for assigned tasks and work in groups effectively.
●	4.2 Students have problem-solving skills.
○	4.3 Students show leadership skills and team spirit.
●	4.4 Students are always improving themselves.
○	4.5 Students have good interpersonal skills, adapting and working under different conditions.

11.5) Quantitative Analysis, Communication and Information Technology

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

12. Lecture / schedule:

Topics	Reading
1. Overview and introduction (0.5 lecture) 1.1) Class overview: <i>logistic information</i> 1.2) Roadmaps: <i>where we are headed</i> 1.3) Measuring macroeconomic activities (self-study)	W. Ch. 1/ Ch. 2
Part I Closed-economy business cycle fluctuations	
2. Introduction to business cycle studies and economic fluctuation (0.5 lecture) 2.1) What is a business cycle? 2.1.1) Nature of macroeconomic data 2.1.2) Measuring and characterizing business cycles 2.2) Framework for business cycles theory 2.2.1) Ingredient of business cycle theories 2.2.2) Overview of AD-AS framework	W. Ch. 3 M. Ch. 10
3. The core AD-AS framework (5 lectures) 3.1) The Classical long-run macroeconomy (1.5 lectures) 3.1.1) Aggregate production function 3.1.2) Labour market outcome 3.1.3) Potential output <i>and</i> Natural rate of unemployment 3.2) Foundation of aggregate demand theory (1 lecture) 3.2.1) Keynesian DAE 3.2.2) The IS-LM model 3.3) Foundation of aggregate supply theory (1 lecture) 3.3.1) Long-run aggregate supply 3.3.2) Short-run aggregate supply 3.4) AD-AS equilibrium and business cycles (1.5 lectures) 3.4.1) Short-run fluctuations a) <i>Shocks and Propagation mechanism</i> b) <i>Macroeconomic policy analysis</i> 3.4.2) 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?	F. Ch. 3 - 4 M. Ch. 3 F. Ch. 5 - 6 M. Ch. 14
4. Inflation and business cycles (2 lectures) 4.1) Some stylized facts of inflation 4.2) Long-run theory of inflation 4.2.1) Quantity theory of money	M. Ch. 5

Topics	Reading
4.2.2) Cost and benefit of inflation	
4.3) Business cycles perspectives of inflation	<i>M. Ch. 14</i>
4.3.1) The Phillips curve and its derivation	
4.3.2) Short-run and Long-run Phillips curve	
4.4) Macroeconomic policy design	

Part II Open-economy business cycle fluctuations

5. International financial markets (2 lectures)

- 5.1) Keep tracking in the globally connected economy: *international accounts* *F. Ch 14*
- 5.1.1) Current account
 - 5.1.2) Capital account
 - 5.1.3) Balance of payments account
- 5.2) Foreign exchange market
- 5.2.1) Exchange rate determination: *Long-run PPP approach*
 - 5.2.2) Exchange rate determination: *Short-run approach*
 - a) *Demand and Supply for foreign currency*
 - b) *Equilibrium exchange rate and Balance of payments*
 - 5.2.3) Exchange rate regimes
 - a) *Flexible exchange rate*
 - b) *Fixed exchange rate and Intervention*
 - c) *Exchange rate policies and sterilizations*

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

- 6.1) An open-economy macroeconomics model: *IS-LM-BP framework* *F. Ch 15*
- 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

MIDTERM EXAM (March, 4th 2020; 11.30 – 14.00 hrs.)

Topics	Reading
Part III: Micro-foundation approach to macroeconomics	
7. A Closed-Economy One-Period Macroeconomic Model (2.5 lectures)	
7.1) General equilibrium macroeconomy and Circular flow of macroeconomy	
7.2) Optimizing-agent decision	<i>W. Ch 4</i>
7.2.1) Households	
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	
a) <i>Production and technology</i>	
b) <i>Profit maximization problem and labour demand</i>	
7.3) Competitive equilibrium and Pareto optimality	
7.3.1) Government and tax	
7.3.2) Equilibrium	
7.3.3) Pareto optimality	
7.4) Model applications	<i>W. Ch 5</i>
7.4.1) Changes in government spending	
7.4.2) Changes in total factor productivity	
7.5) How well does the model fit the data?	
8. Two-Period model: the consumption-savings decision (3 lectures)	
8.1) Credit market and allocation over time	<i>W. Ch. 9</i>
8.2) Preference over life-time consumption	
8.2.1) Intertemporal life-time consumption problem	
8.2.2) Behaviour of current consumption and its determinants	
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	
9. A Real Intertemporal Model with Investment (4 lectures)	
9.1) Circular flow of a production economy over time	<i>W. Ch.11</i>
9.2) Optimizing-agent decision under intertemporal environment	
9.2.1) Consumer's problem	
a) <i>Current labour supply</i>	
b) <i>Demand for consumption goods</i>	
9.2.2) Consumer's problem	
a) <i>Current labour demand</i>	
b) <i>Investment decision</i>	
9.3) Competitive equilibrium	
9.4) Model applications	
9.4.1) Changes in government spending	

Topics	Reading
9.4.2) Change in capital stock	
9.4.3) Change in total factor productivity	

10. Long-term Economic Growth (2.5 lectures)

10.1) Long-term growth stylized-facts	W. Ch.7
10.2) Growth accounting	
10.3) Solow growth model	W. Ch.8
10.4) Theory confronts with data	
10.5) Income disparities	
10.6) Growth policies	

FINAL EXAM (May, 18th 2020; 13:30 - 16:30 hrs (3 hours))

13. Important dates:

SEMESTER 2/2019 (January - May 2020)	
Pre-Registration period (BE Portal)	Oct. 29 – Nov.1, 2019
Course Registration (Reg TU)	Nov. 19 – 22, 2019
Payment	Nov. 19 – 25, 2019
Classes Begin	January 13, 2020
Adding and Dropping Courses W/O Record	January 13 – 27, 2020
Payment	January 13 – 28, 2020
Makha Bucha Day*	February 8, 2020
Substitution for Makha Bucha Day*	February 10, 2020
Mid-term Examination Period	March 2 – 7, 2020
Course Withdrawal with "W"	March 18 – 23, 2020
Chakri Memorial Day*	April 6, 2020
Songkran Festival Day*	April 11 - 17, 2020
Coronation Day	May 4, 2020
Visakha Bucha Day*	May 6, 2020
Royal Ploughing Ceremony Day*	To be announced
Last Day of Classes	May 10, 2020
Final Examination Period	May 11 - 23, 2020
Remark * Holiday, No classes during this period	