

### **Course Outline**

#### **EE212: PRINCIPLES OF MACROECONOMICS (SEC. 046402)**

**Semester 2/2022 (August 8 – November 26, 2022)**

**Number of Credit:** 3

**Prerequisite:**

**Course Description:**

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

**Course Objectives:**

The student comprehends the principle of macroeconomics theories and can apply those theories to analyze the causes and effects of the movement of various macroeconomic variables in Thailand and in some other countries.

## Class Time and Logistic

**Class days:** Tuesday and Thursday

**Class time:** 11.00 a.m. – 12.30 a.m.

**Class Venue:** **Room 202**

**Teaching Materials Platform:**

<https://classroom.google.com/c/NTM3NzMyMDExNTg1?cjc=6qnrjv3>

**Please note that you need to make sure that the default email of your web browser is [your@econ.tu.ac.th](mailto:your@econ.tu.ac.th) to be able to access Google Classroom, Google Forms, and Google Sheets.**

**Meeting Platform: Zoom (for only emergency cases, some make-up classes, usual situations, appointment meetings)**

Topic: EE212\_1\_2022\_A\_Sicha

Time: This is a recurring meeting Meet anytime

Join Zoom Meeting

<https://zoom.us/j/99050700624?pwd=TDZ3Y2dyN2FiWFQ0bEdpeWJSQVpFZz09>

Meeting ID: 990 5070 0624

Passcode: 45071

**Class Line Official:**

Line Official Name: EE212 1/2022 A\_Sicha

Add to This Line official using the following QR code



**Please note that this Line Official is only for important announcements. If you want to contact me, please email.**

**Instructor:**

**Asst. Prof. Dr. Sicha Thubdimphun**

**Office Hours: By appointment**

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

**Main Text:**

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 Texts & Materials**

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

**Suggested Readings:** To be announced

**Grading Criteria:**

Homework and other individual or group assignments/quizzes	10%
Midterm exam (September 29, 2022; 09.00 – 11.00 AM)	35%
Final exam (November 30, 2022; 1.30 – 4.30 PM)	55%

**Expected Learning Outcomes:**

The student shall be equipped with knowledge of the principles of macroeconomics. By the end of the semester, students should understand macroeconomic news and be able to analyze the causes and effects of the movement of key macroeconomic variables in Thailand.

## **Tentative Class Schedule:**

### **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
  - 1.4.6 Inequality
- 1.5 A 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 the macroeconomy
- 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
  - 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
  - 3.3.3 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 the AD curve from the IS-LM model

8.1.2 Move along the AD curve

8.1.3 The 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 the AD-AS model

8.3.2 Changes in equilibrium in the AD-AS model

### 8.4 The analysis of fiscal policy and monetary policy using the 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

