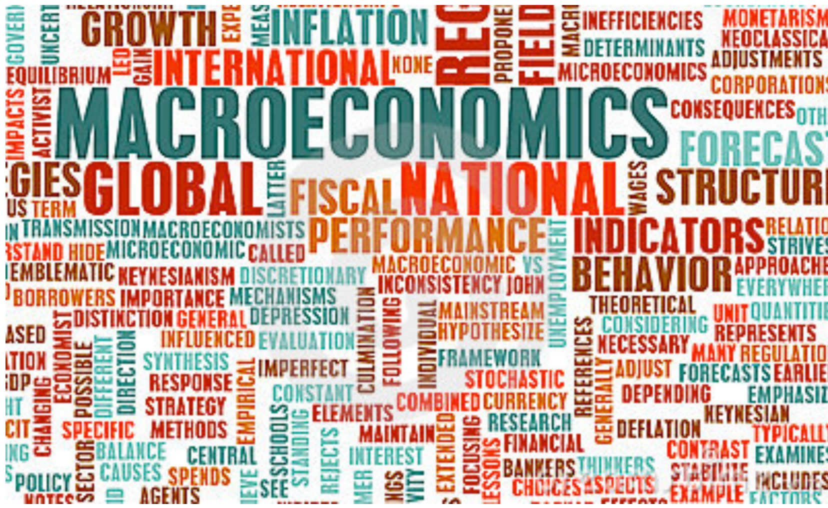

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Introduction

BE
Bachelor of Economics
Thammasat University

Outline

Thursday, 16 January, 2014

- Meaning, Objectives and Macroeconomic Policies
- Basic Concepts
- Macroeconomic Objectives and Indicators
- Conclusion

Meaning, Objectives and Macroeconomic Policies

Microeconomics	Vs.	Macroeconomics

Meaning, Objectives and Macroeconomic Policies

Questions in Macroeconomics:

Why does the cost of living continue increasing?

Why are people unemployed, even when the economy is growing?

What will happen if there are economic shocks towards the economy?

Should government intervene to end economic depression?

What is the government budget deficit? How does it affect the economy?

How does financial market work and what are its functions for the economy?

How will the central bank play its role for the economic stability ?

Why do we have to consider other countries' economies?

Meaning, Objectives and Macroeconomic Policies

Macroeconomic Policies

Fiscal Policy → Tax and Spending

Monetary Policy → Money Supply

Basic Concepts

Stock and Flow Variables …

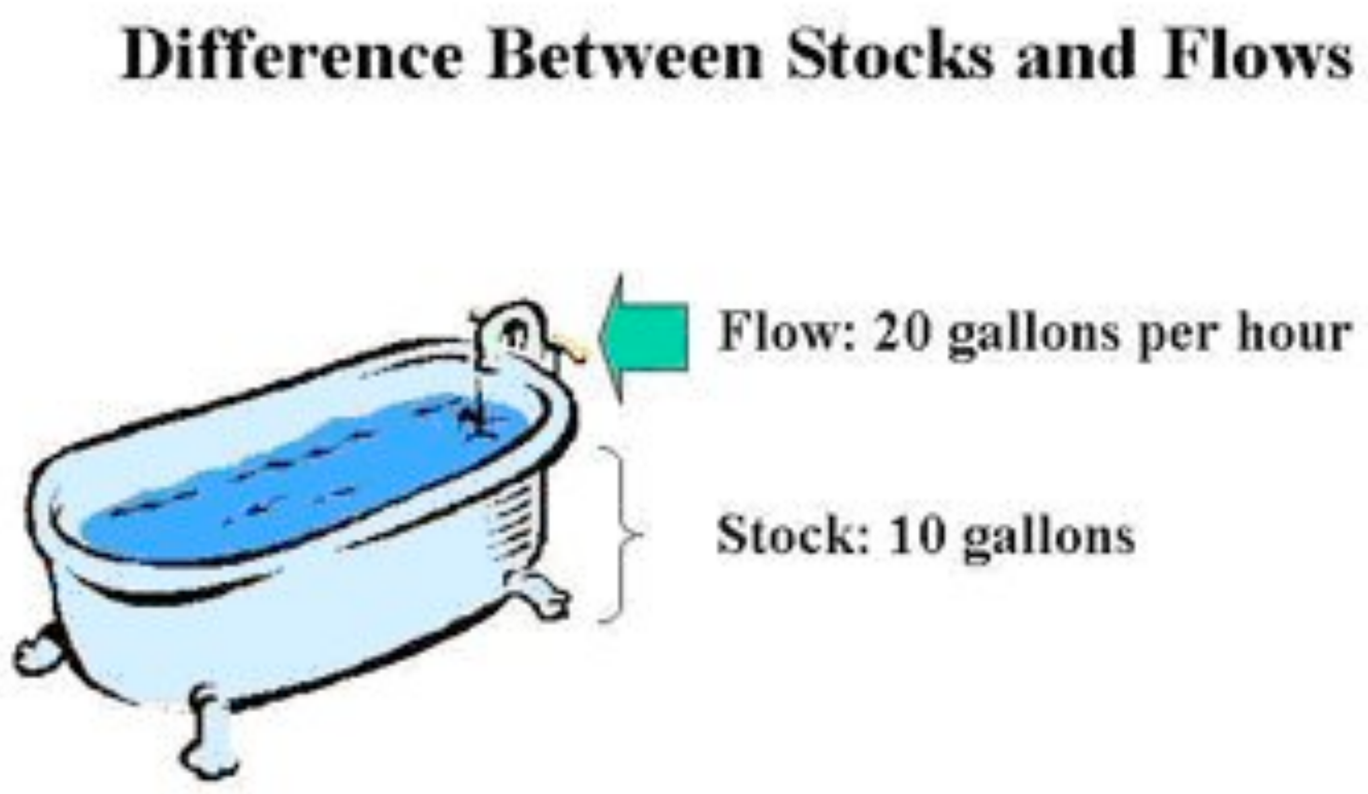
1. Stock Variable:

Examples:

2. Flow Variable:

Examples:

Stock and Flow Variables …



Example: Death and Birth rates

Basic Concepts

Stock and Flow Variables ...

In macroeconomics, economists should know the difference between stock and flow so that they are able to compare macroeconomic variables meaningfully.

For instance, if national income is 2,000 THB while savings per month is 1,500 THB. The first variable is stock, whereas the second one is flow. We cannot say that consumption (the subtraction of savings from income) is 500 THB and compare this two statistics since they are in different spectrum.

Nominal and Real Variables

Nominal Variable:

Real Variable:

Macroeconomic Objectives and Indicators

What are Macroeconomic Objectives?

Economic Growth

Economic Stability

Economic Equity

Macroeconomic Objectives and Indicators

	Product Market	Factor Market	Financial Market	Foreign Market	Government Sector
Growth 	GNP, GDP	Employment, Capital Accumulation	Money Supply, Credit	Export, Import, Foreign Investment	Government Investment
Stability 	General Price Level	Unemployment	Interest Rate, SET Index	Balance of Payments, Exchange Rate	Financing Government Deficit
Equity 	-	Factor Payments, Gini Coefficient	-	-	-

Economic Growth

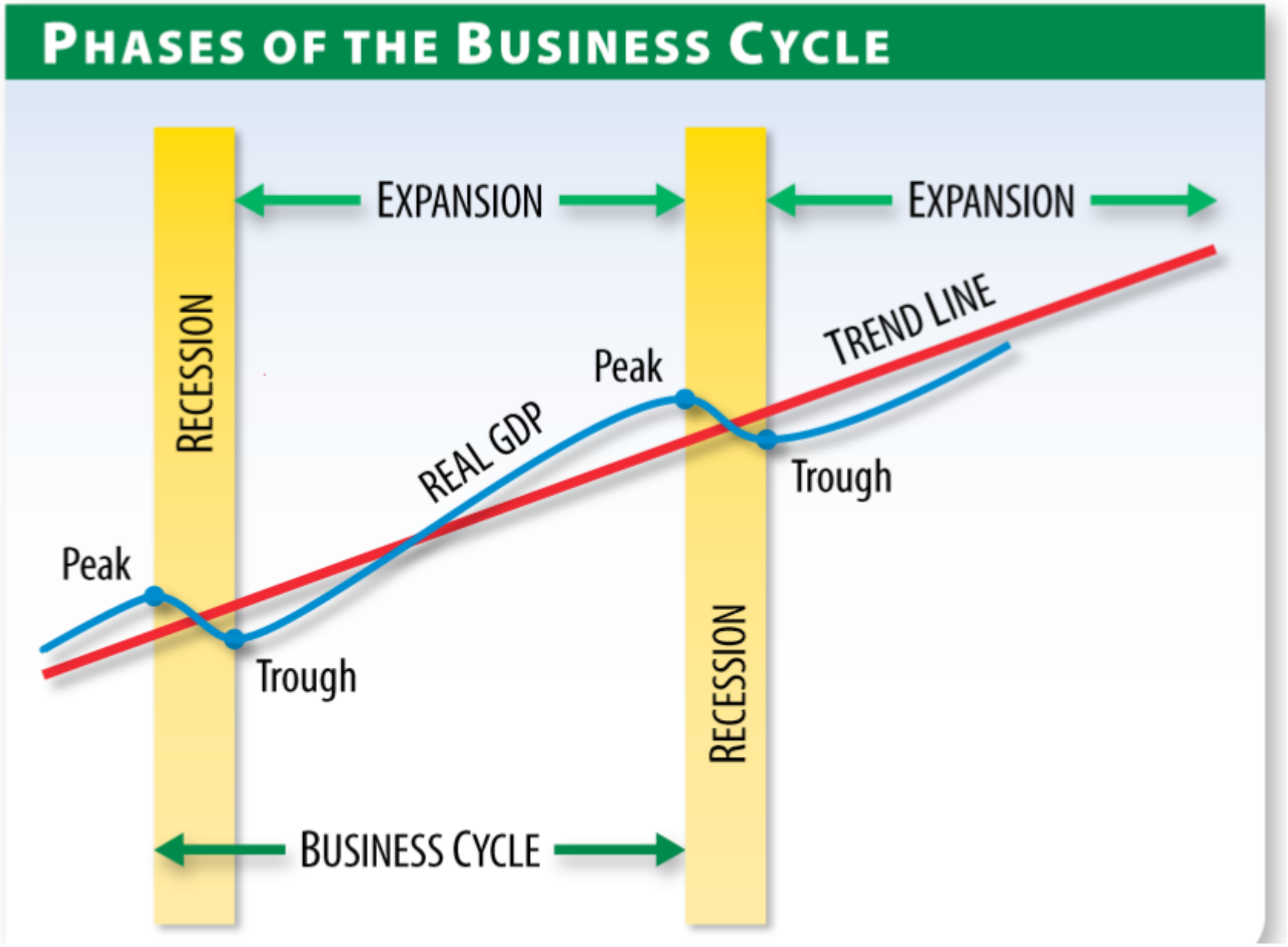
Product Market

Gross Domestic Products (GDP):

Gross National Product (GNP):

Economic Growth

Product Market

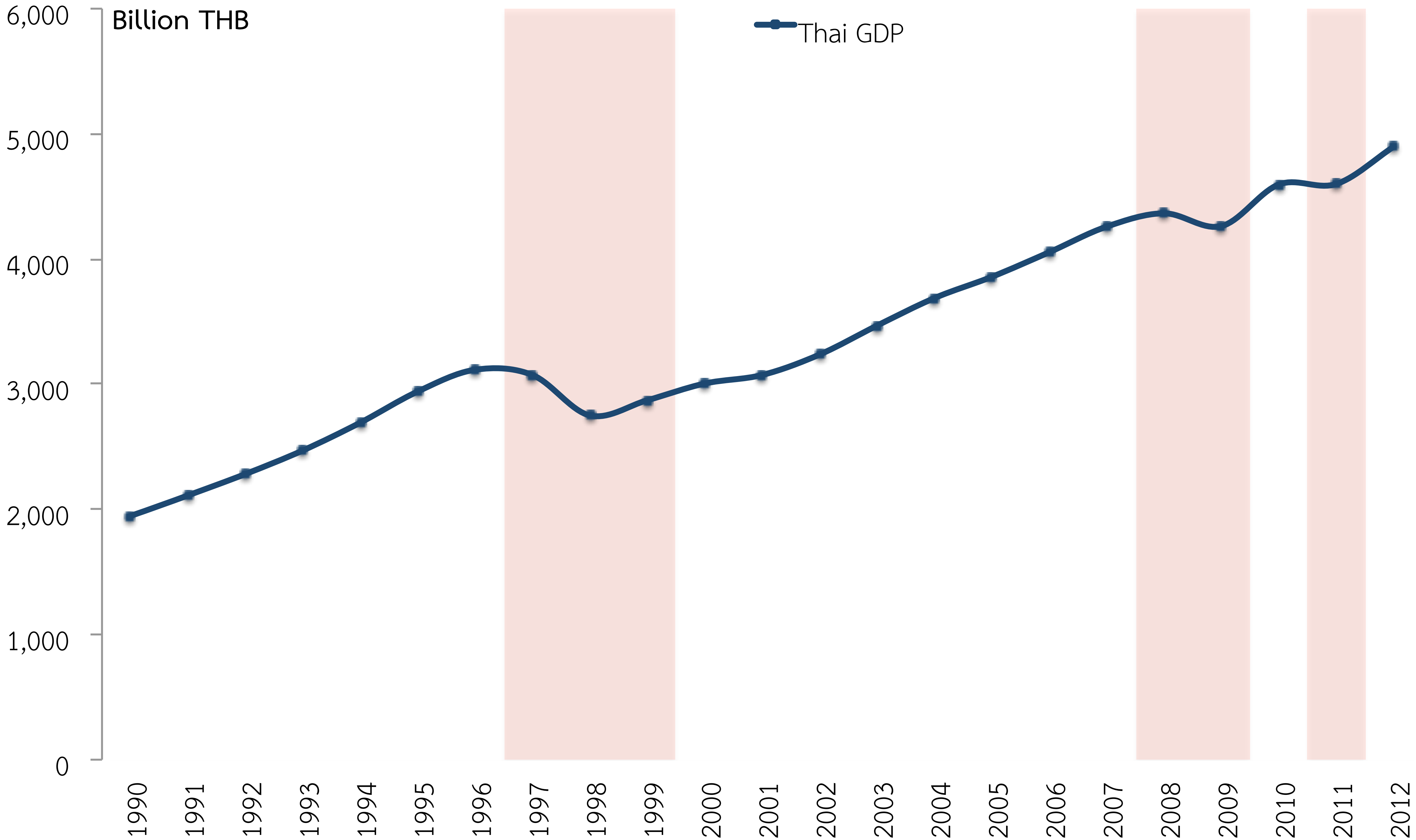


Business Cycle:

Recession:

Economic Growth

Thailand GDP at 1988 price



Source: NESDB

Economic Growth

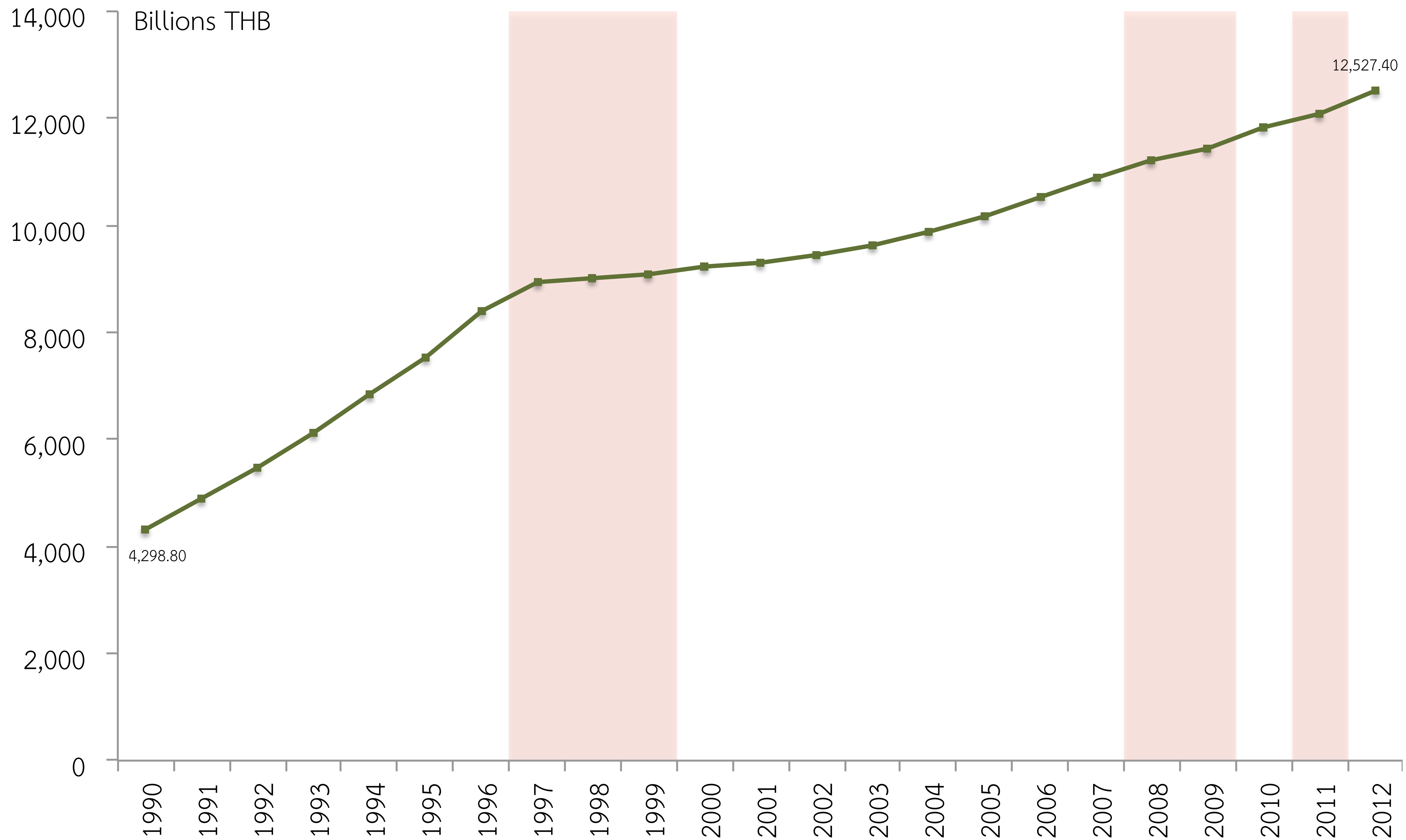
Factor Market

Employment:

Capital Accumulation:

Economic Growth

Thailand Capital Accumulation



Source: NESDB

Economic Growth

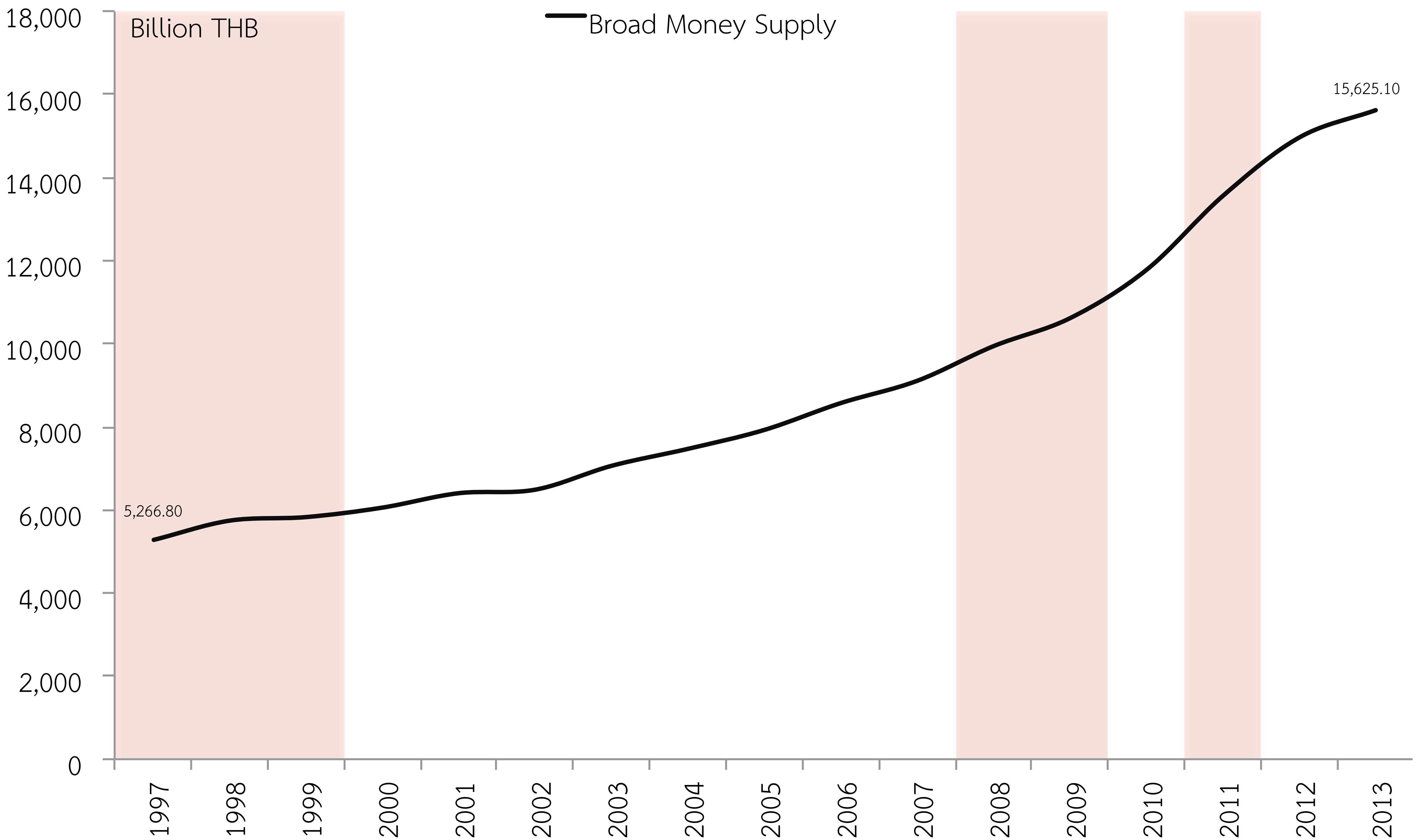
Financial Market

Money Supply:

Credit:

Economic Growth

Thailand Money Supply



Source: Bank of Thailand

Export:

Import:

Trade Surplus:

Trade Deficit:

Foreign Market

Economic Growth

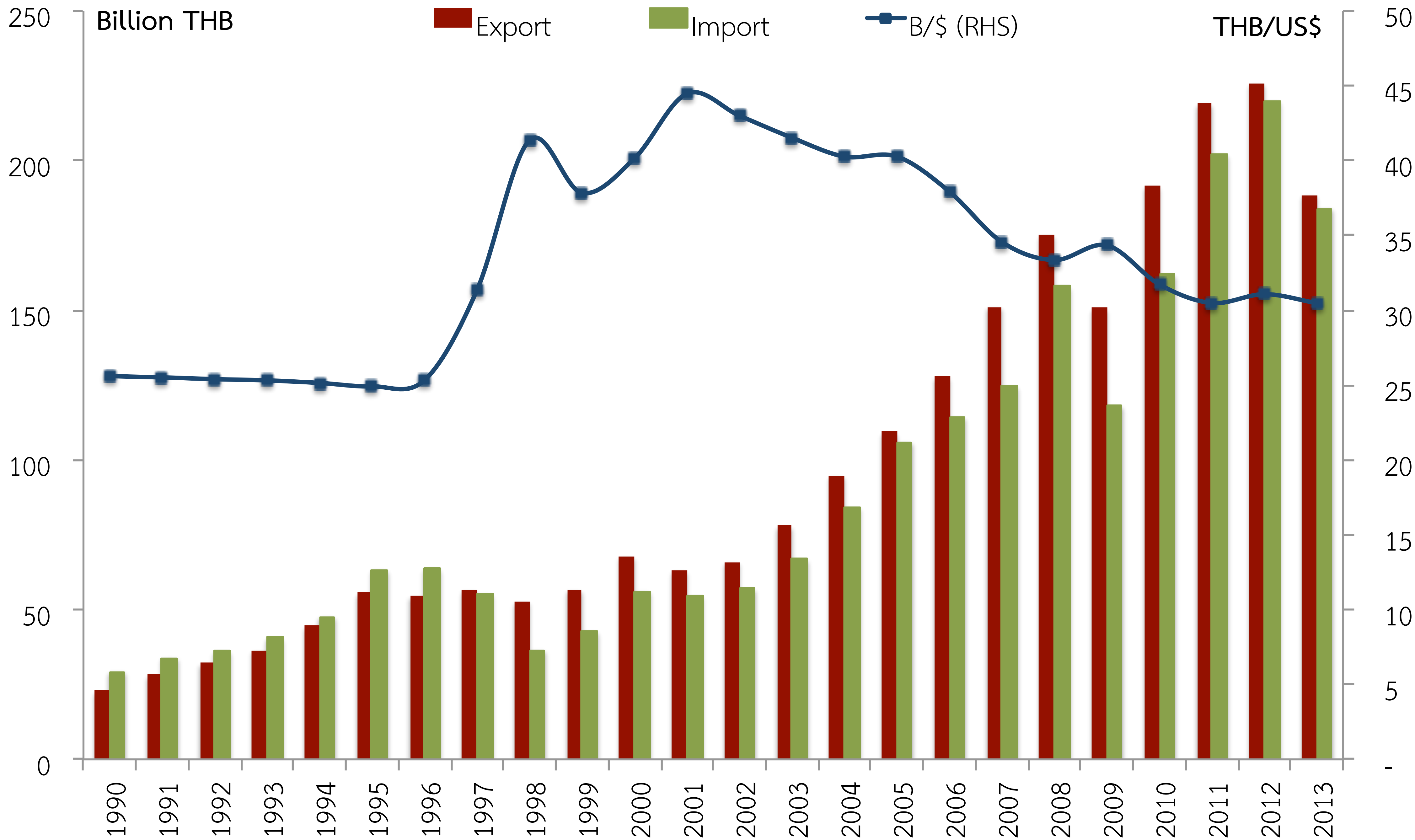
Foreign Market

Foreign Investment:

Portfolio Investment:

Economic Growth

Thailand Export and Import



Source: Bank of Thailand

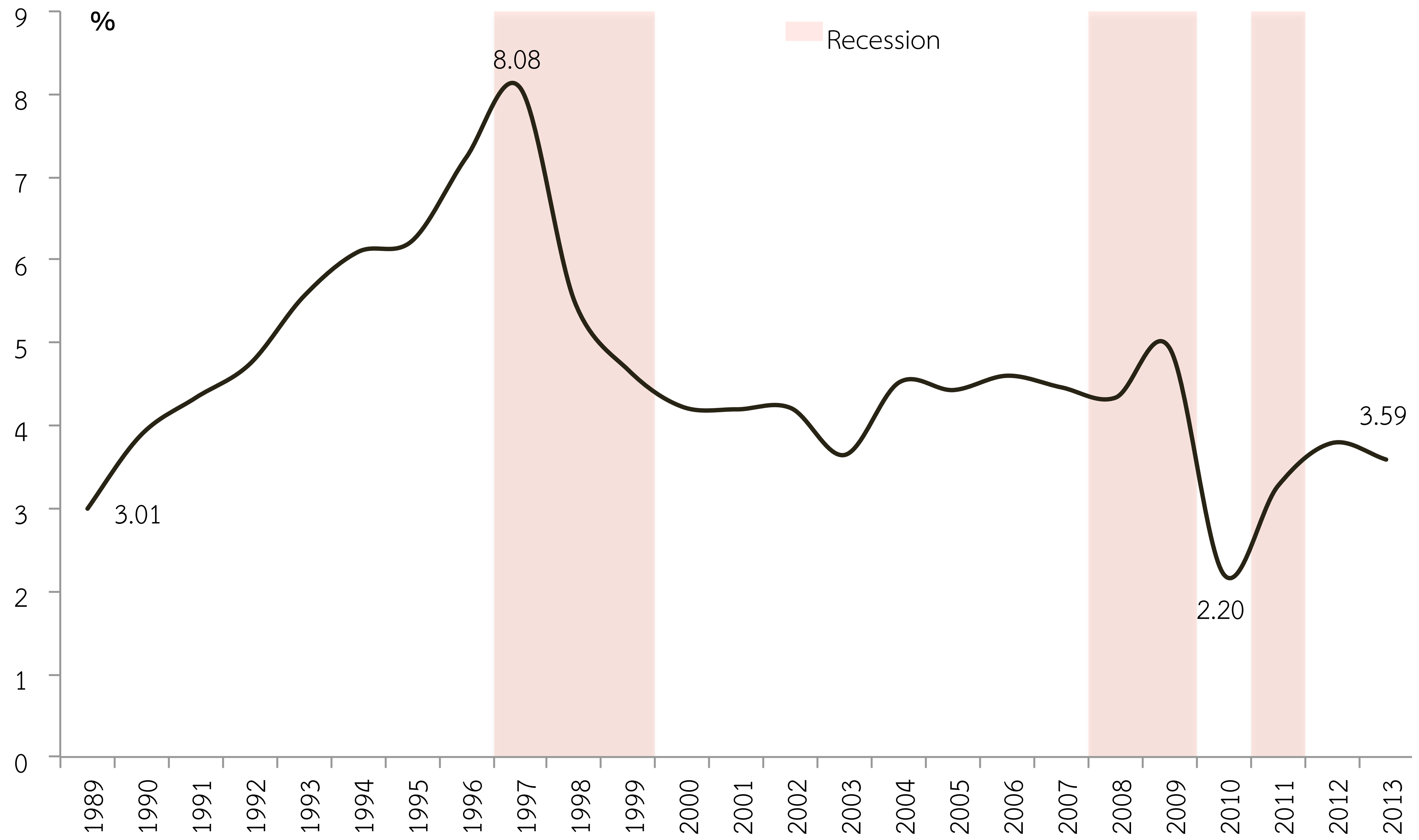
Economic Growth

Government Sector

Government Investment:

Economic Growth

Thailand Government Investment to GDP



Source: Fiscal Policy Office

Economic Stability

Product Market

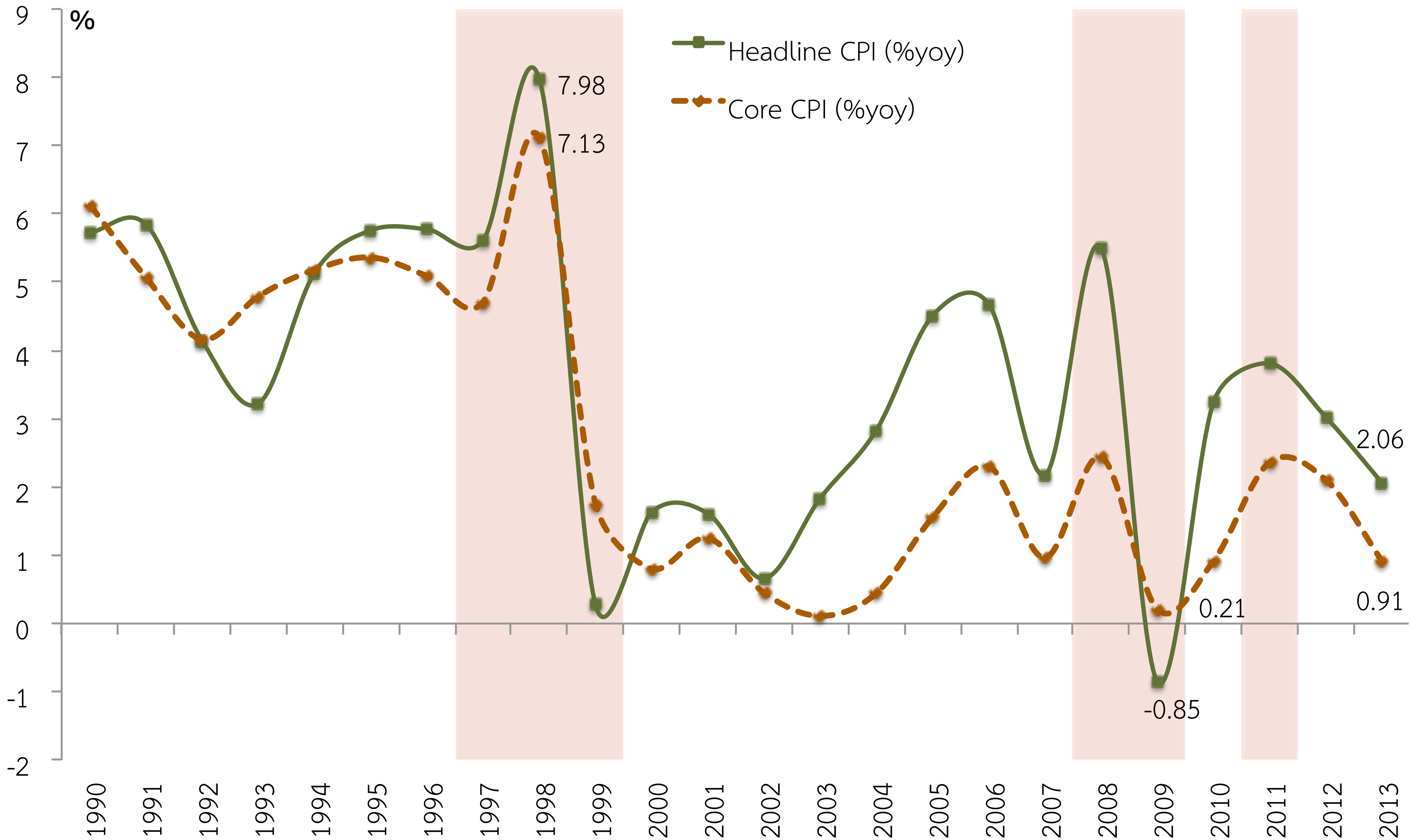
Consumer Price Index (CPI):

Producer Price Index (PPI):

GDP Deflator:

Economic Stability

Thailand CPI (%yoy)



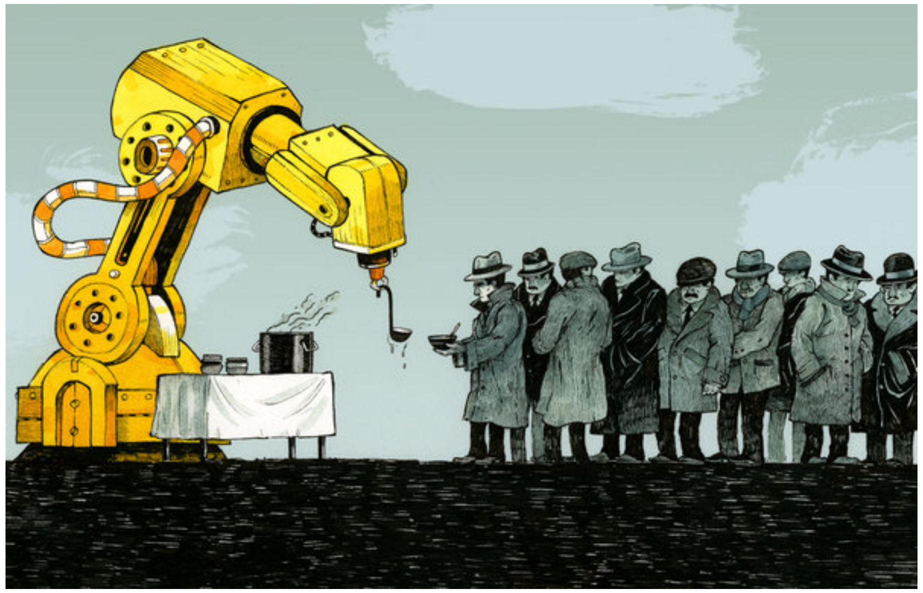
Source: Bank of Thailand

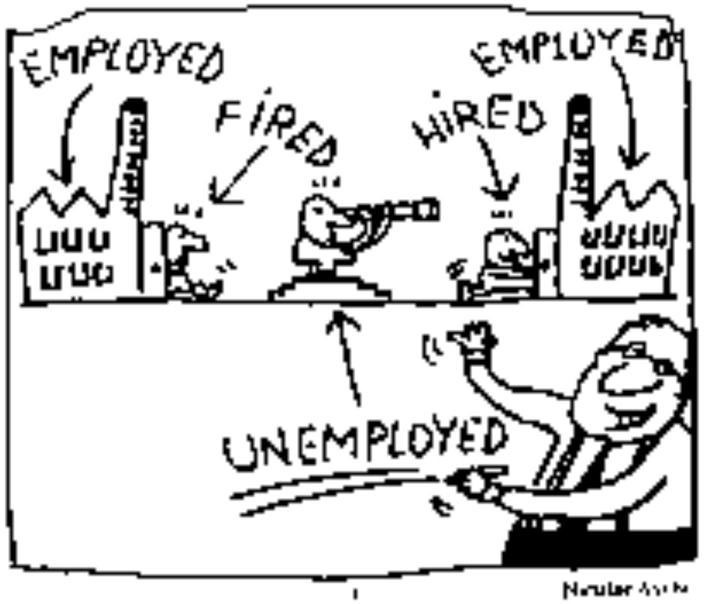
Economic Stability

Factor Market

Unemployment:

Economic Stability



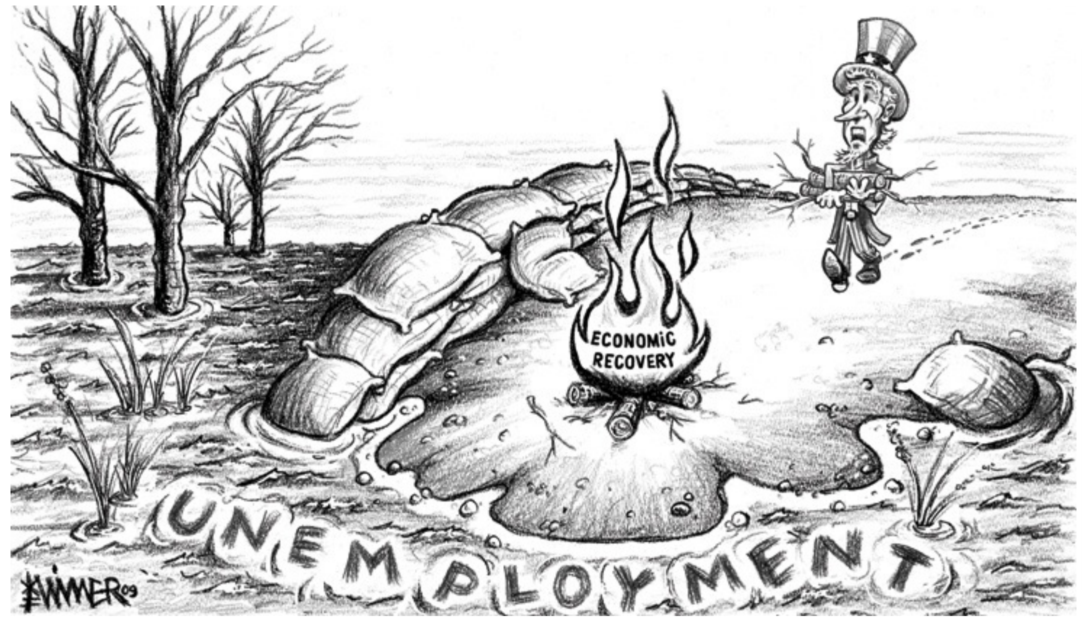


Factor Market

Structural Unemployment:

Frictional Unemployment:

Economic Stability



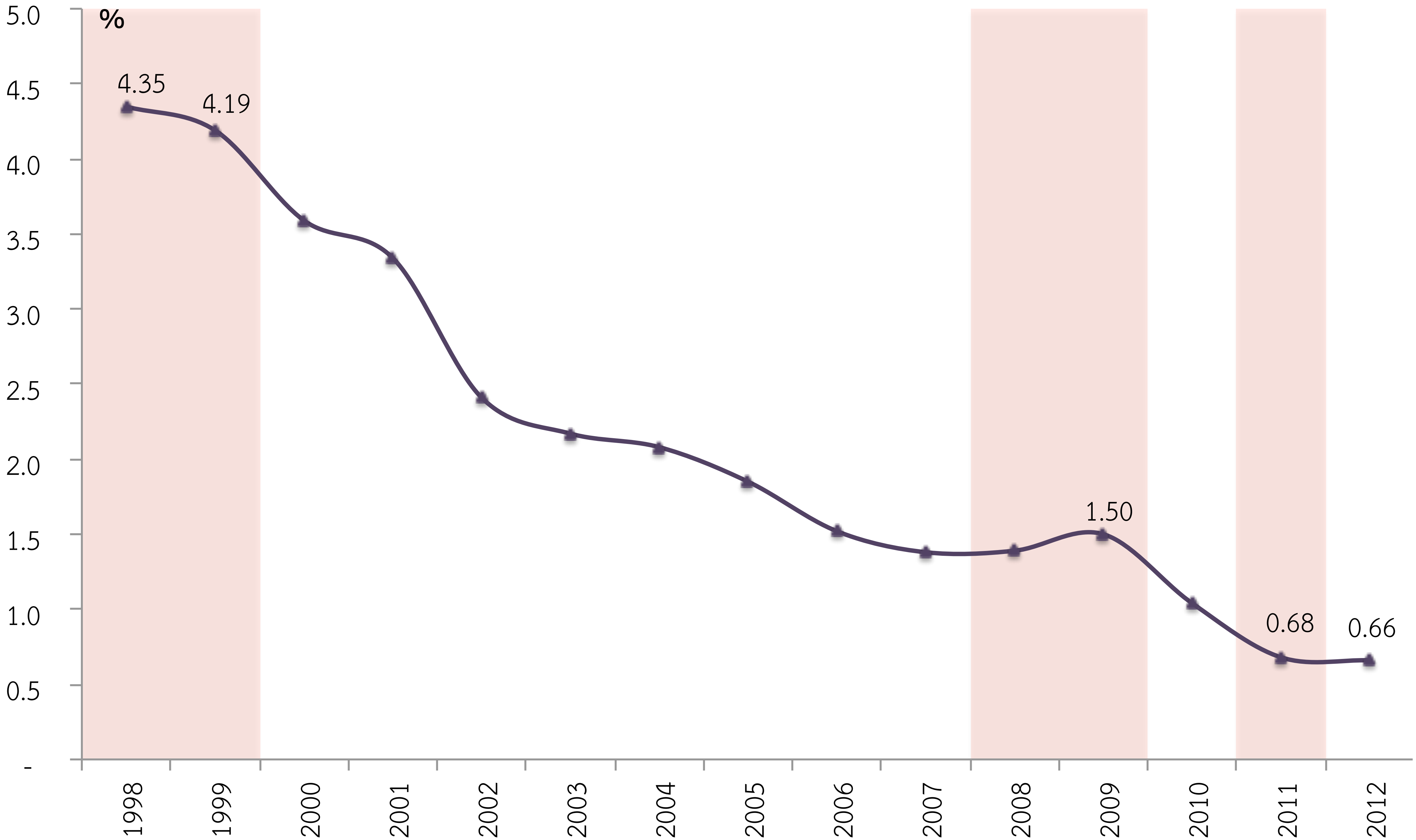
Factor Market

Cyclical Unemployment:

Natural Rate of Unemployment:

Economic Stability

Thailand Unemployment Rate



Source: Bank of Thailand

Economic Stability

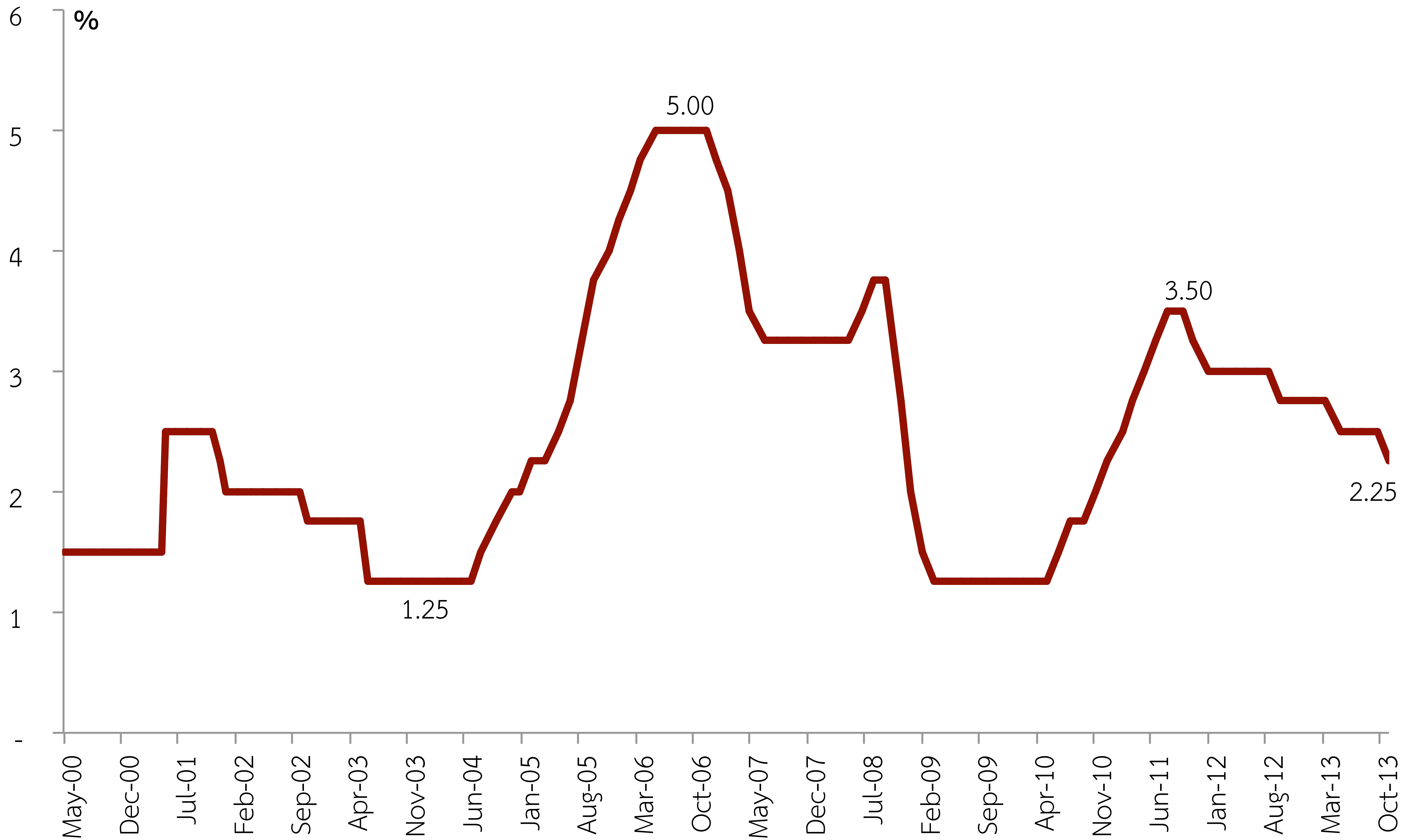
Financial Market

Interest Rate:

SET Index:

Economic Stability

Thailand policy rate



Source: Bank of Thailand

Economic Stability

Thailand SET index

Source: The Stock Exchange of Thailand

Economic Stability

Foreign Market

Balance of Payments:

Exchange Rate:

Government Sector

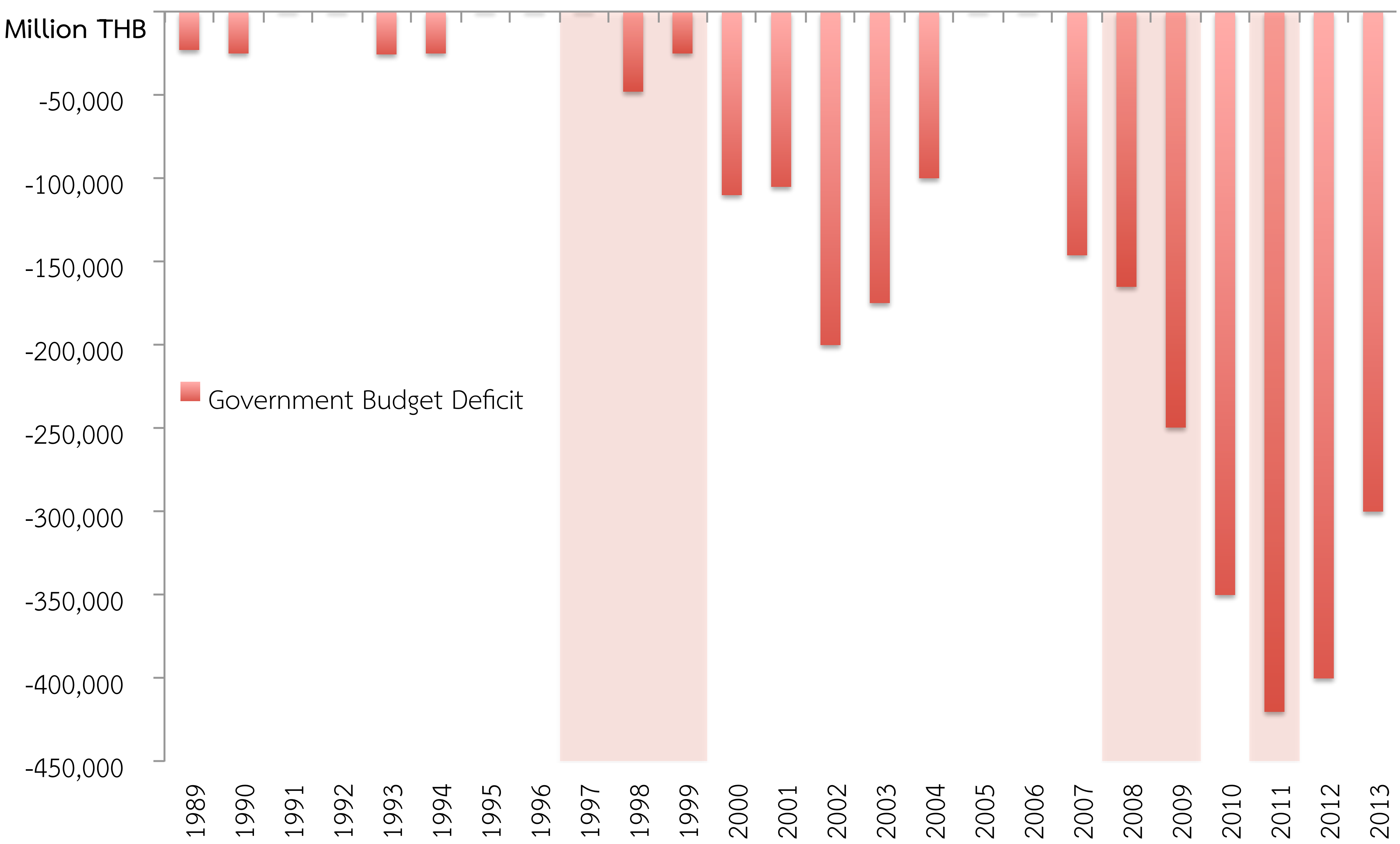
Government Spending:

Government Revenue:

Financing Government Deficit (G>R):

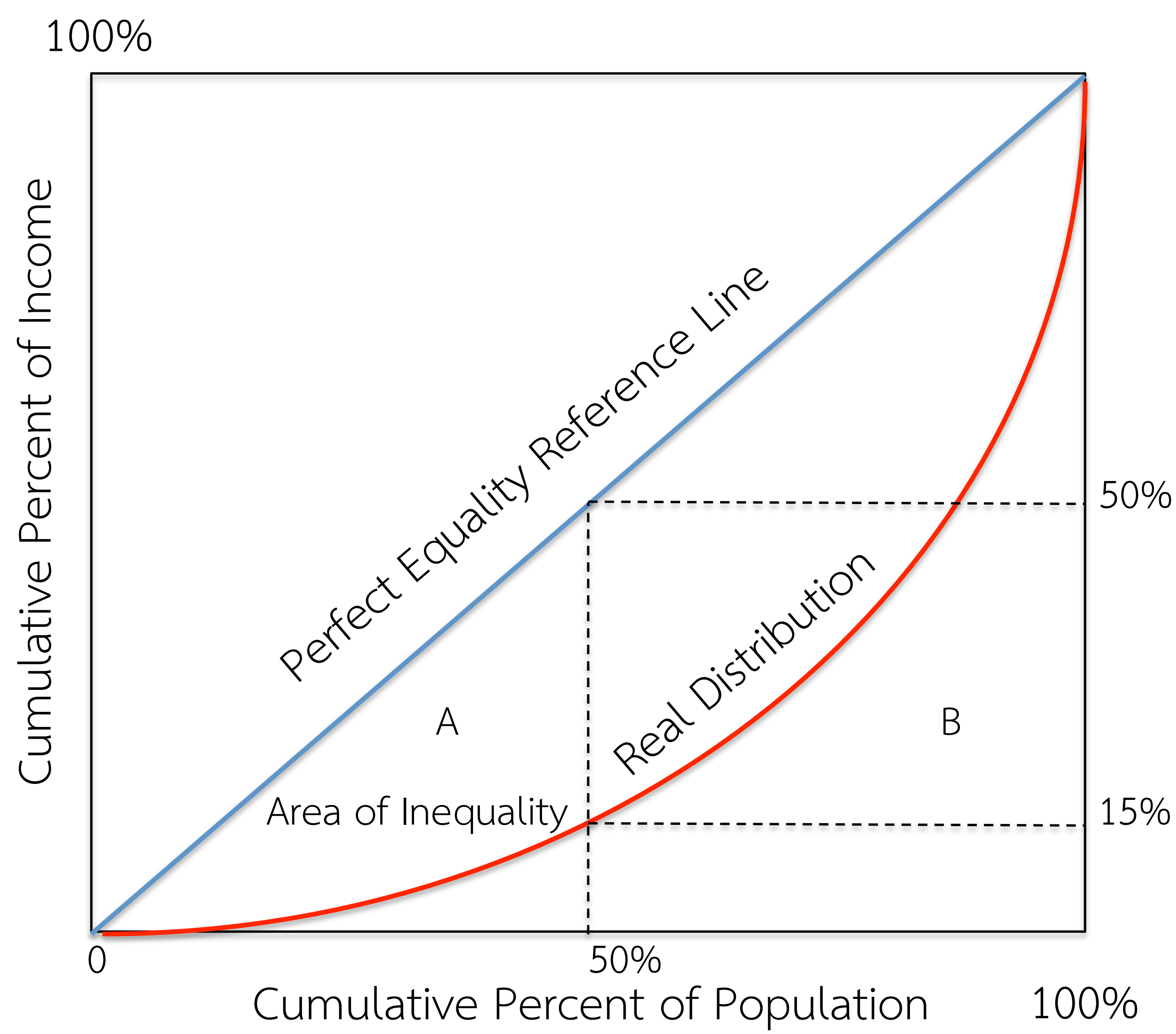
Economic Stability

Thailand Government Deficit



Source: Fiscal Policy Office

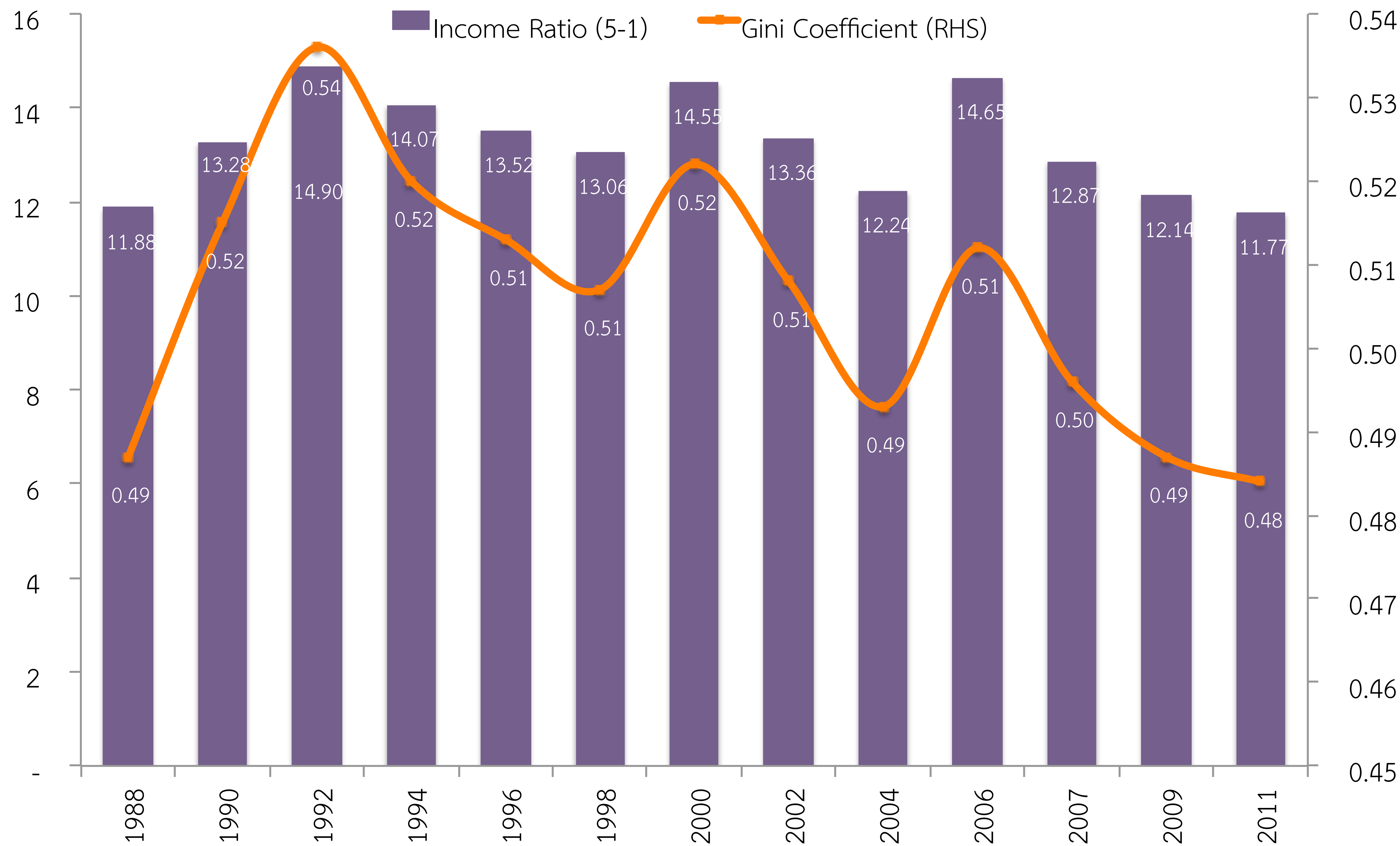
Economic Equity



Gini Coefficient:

Economic Equity

Thailand Gini Coefficients



Source: NESDB

Tradeoff between Macroeconomic Objectives

Economic Growth

Economic Stability

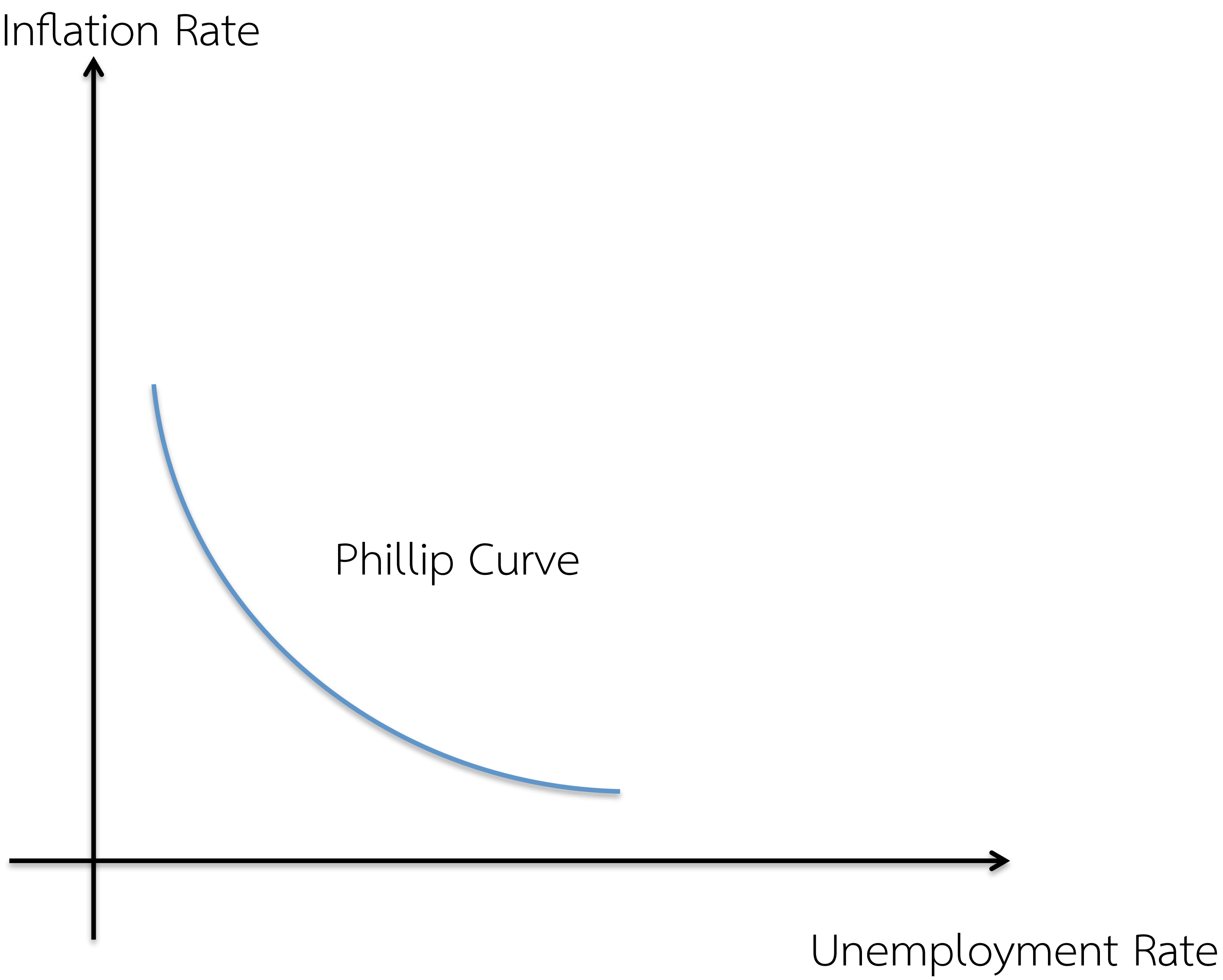
Economic Equity

Tradeoff between Macroeconomic Objectives

Economic Growth

Economic Stability

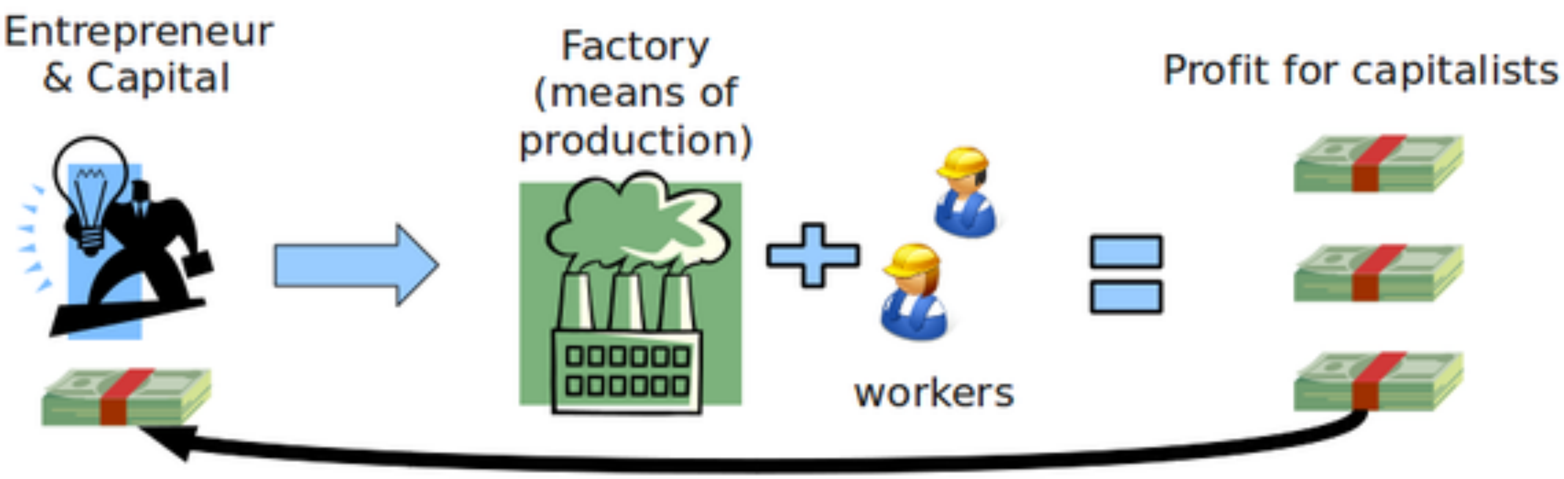
Phillips (1958):



Tradeoff between Macroeconomic Objectives

Economic Growth

Nicholas Kaldor (1955):



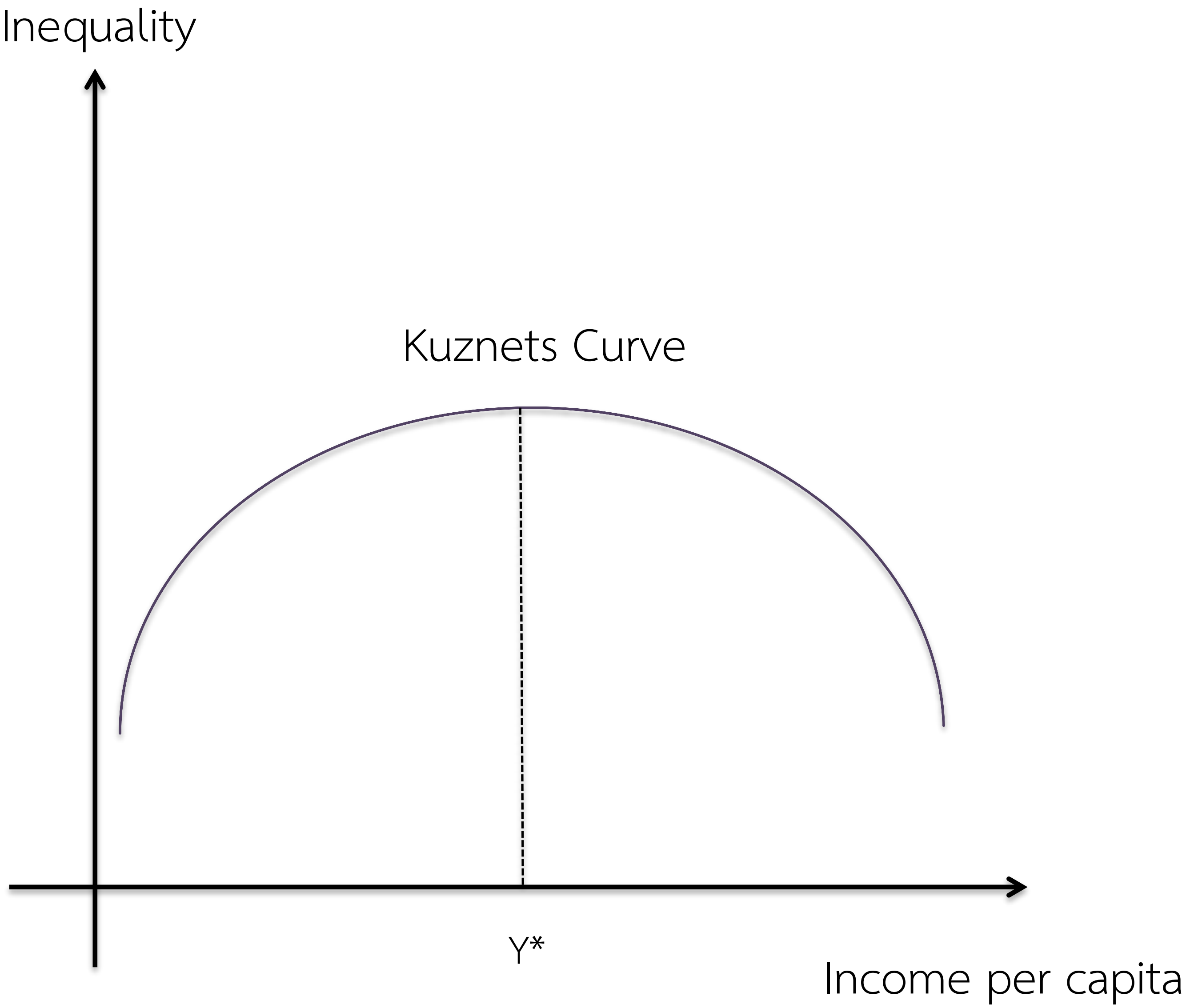
Economic Equity

Tradeoff between Macroeconomic Objectives

Economic Growth

Economic Equity

Kuznets (1955):



Conclusion