



## **Course Outline**

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

**Semester 1/2021 (August 9 – November 27, 2021)**

**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 macroeconomic for analyzing economic conditions are introduced.

**Course Objectives:**

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

## Class Time and Logistic

**Class day:** Tuesday and Thursday

**Class time:** 9.30 a.m. – 11.00 a.m.

**Teaching Materials Platform:** BE Moodle

Enrollment key for BE Moodle: 0479 (<http://bemoodle.econ.tu.ac.th/>)

### Meeting Platform: Zoom

Topic: EE212\_1\_2021\_A\_Nessara\_Zoom\_class

Time: This is a recurring meeting Meet anytime

Join Zoom Meeting

<https://zoom.us/j/95954163947?pwd=YVE0bHdHZEJQWct5RExieGJDRzJUUT09>

Meeting ID: 959 5416 3947

Passcode: 872936

### Other communication method: Line Group

Line group name: EE212\_1\_2021\_A\_Nessara

Add to the group using the following QR code



**Instructor:****Name: Asst. Prof. Dr. Nessara Sukpanich****Office Hours: By appointment****Email: nessara@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 (Saturday, October 2, 2021; 09.00 – 11.00 AM)	35%
Final exam (Friday, December 17, 2021; 1.30 – 4.00 PM)	55%

**Expected Learning Outcomes:**

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

## **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
- 1.5 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 macro economy
- 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 and consumption theories

3.2.1.1 Absolute income hypothesis

3.2.1.2 Permanent income hypothesis

3.2.1.3 Life cycle hypothesis

3.2.2 Desired aggregate investment expenditure

3.2.2.1 Determination of aggregate investment

3.2.2.2 Present Value (PV) and net present value (NPV) concept

3.2.2.3 MEC and MEI

3.2.2.4 The accelerator principle

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 AD curve from IS-LM model

8.1.2 Move along AD curve

8.1.3 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 AD-AS model

8.3.2 Changes in equilibrium in AD-AS model

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