EE312 Macroeconomic Theory
Chapter 1

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Logistic Information

- Section 046402
- Instructor: Panit Wattanakoon
- Venue: 206, 11.00am-1.00pm
- Contact: panit@econ.tu.ac.th
- Office hours: 446 by appointment (via email)

Evaluations

- Evaluations:
  - Quiz/assignment 20%
  - Midterm exam 35%
    - Date: 2 October 2020, 11.30 – 14.00 hrs
  - Final exam 45%
    - Date: 4 December 2020, 9.00 - 12:00 hrs
- Lecture handouts/notes will be posted on BE moodle a few days/hours in advance
  - So check BE moodle regularly!

Other logistic info

- Class starts at 11.10am
- No cell phone, no social media, no FB live
- This course is very challenging so be prepared!

What do we study in this course?

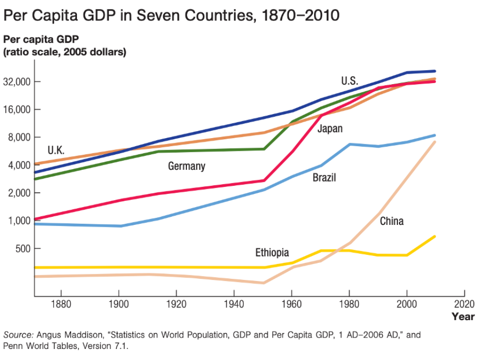
- In EE212, we discuss
  - GDP measurement, DAE, AD-AS, IS-LM, Exchange rate
  - Equilbrium output (growth), price (stability), and policy effectiveness
- EE312 asks a similar set of questions but more extensions with emphasis on
  - Long-term growth
  - Business cycle

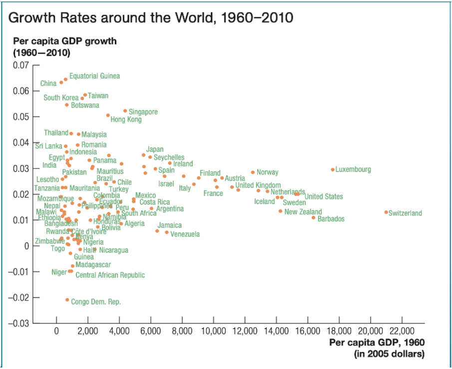
Why are countries rich or poor?

Income group

Group	Income Range	Example
High income (79)	>$12,235	Norh America
		Western Europe
		East Asia
Upper middle income (55)	$3,956-$12,235	South America
		Eastern Europe
		Russia
Lower middle income (52)	$1,006-$3,955	South America
		Central Asia
		Africa
Low income (31)	<$1,006	Central
		East Africa
World Average	$10,302	

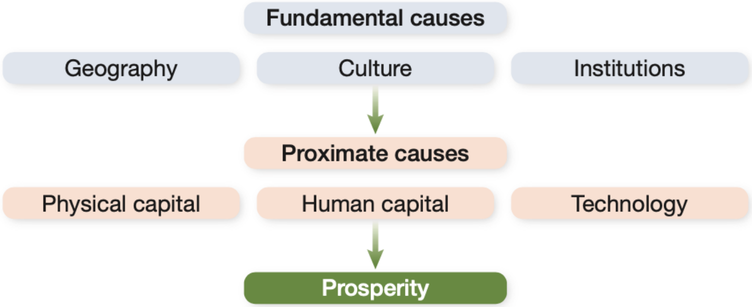
Why countries have different income level?



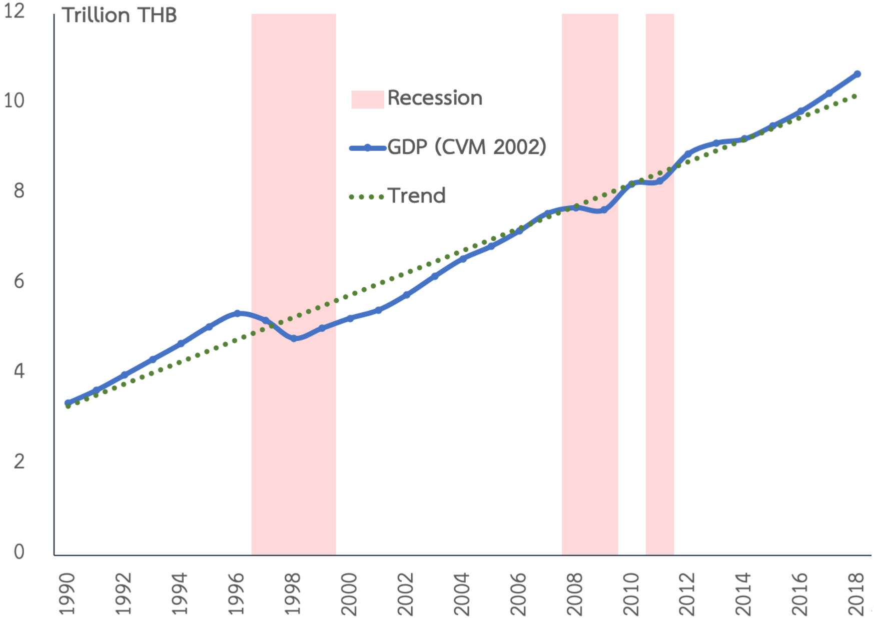


- Huge variation in growth performance; income level can be due to growth performance. "Growth Process"
- Why can't a country grow fast? Can they catch up with others?

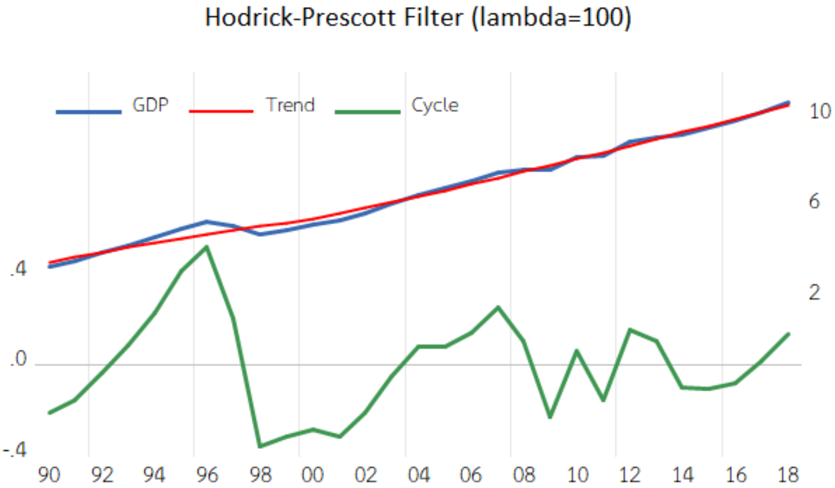
Causes of growth



Thai Economy



Thailand Business Cycle



Business cycle fluctuation

- Normally, we observe that country's real GDP grows over time, as the series have exhibited upward trending pattern
- However, actual series are not growing at a steady fixed rate
  - From time to time, we observe a deviation of the actual series from its counterpart (long-term) trend
- This phenomena is typically referred to "business cycle fluctuations"

Questions in macroeconomics

	Long-term Growth	Business cycles
Positive	• What causes the disparity in the level of income per capita across countries? • Why do some countries grow, on its average basis, faster than other countries?	• Why do countries experience recurrent fluctuations in level of GDP and growth of GDP? • What are the mechanisms behind the fluctuations? Pattern of fluctuations across different variables? • Why do the recessions occur?
Normative	• What can we do to improve our country? • How to catch up the level of income per capita that other wealthy countries have been experiencing.	• What do need to do to maintain our economy to remain stabilized around its long-term path? • Should or shouldn't we intervene the system by any government policies? If yes, how?

Organizing lecture topics (1)

- For midterm exam, we cover everything under the so called "traditional business cycle framework"
- We will start from business cycle fluctuations first.
  - Concepts and Measurements of business cycles
  - Provide more concrete discussion on closed- economy AD-AS model
  - Use the model to explain and understand the nature/pattern in business cycle fluctuations
  - Focus on inflation dynamics
  - Open-economy fluctuations: IS-LM-BP

Organizing lecture topics (2)

- After midterm exam, we revisit with the business cycle fluctuations again, but under the approach so called "micro-foundation approach" or "optimizing-based AD-AS framework"
  - Application of microeconomics General Equilibrium concept to understand the macroeconomy
- Then, we wrap up our semester with the discussion about Long-run growth theory.

Reading materials

- Check your syllabus
  - No single textbook covers everything.
  - Refer to suggested reading for each topic
- Textbook can be purchased at the bookstore.
- Lot of work! Spend your time wisely in this semester.
- Check BE moodle.