



AGENDA

- Logistic information

- What do we study in this course?

LOGISTIC INFORMATION

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- **Instructor:** Assist Prof. Kittichai Saelee, Ph.D.
- **Lecture venue:** Room 304; 11 am – 1.30 pm. (2.30 hours)
 - Trust me! We definitely need many extra classes. So, it's best to smooth out the hours.
- **Contact:** kittichai_lee[at]econ.tu.ac.th
- **Office hours:** Room#516, by appointment only (via email)

LOGISTIC INFORMATION

- Evaluations:
 - Group work: 10% (group homework; max of 5)
 - Midterm: 40% (**Mar 4th, 2019; 11.30 – 14.00 hrs**)
 - Final exam: 50% (**May 18th, 2019, 13.30 – 16.30 hrs**)
- **Remarks:** *No class on March 25th and 27th*
- **No make-up exam!**
- Materials:
 - Posted on the BE moodle; passcode **1256**



<http://shorturl.at/rJLX2>

LOGISTIC INFORMATION

- Class starts at 11.05 am. Please be here on time!
- No cellphone, no social media, no FB live.
- This course is VERY hard. Be prepared!
- Group study is recommended.

WHAT DO WE STUDY IN THIS COURSE?

WHAT WE STUDY IN THIS COURSE

- *Similar* to what you studied in EE212, in terms of common questions.
- Understanding in greater details (**with more extensions, plus technical considerations**) of the **two big issues** in macroeconomics:
 - Long-term growth
 - Business cycles fluctuations

LONG-TERM GROWTH: UNDERSTANDING GROWTH PROCESS AND DIFFERENCE IN INCOME ACROSS COUNTRIES



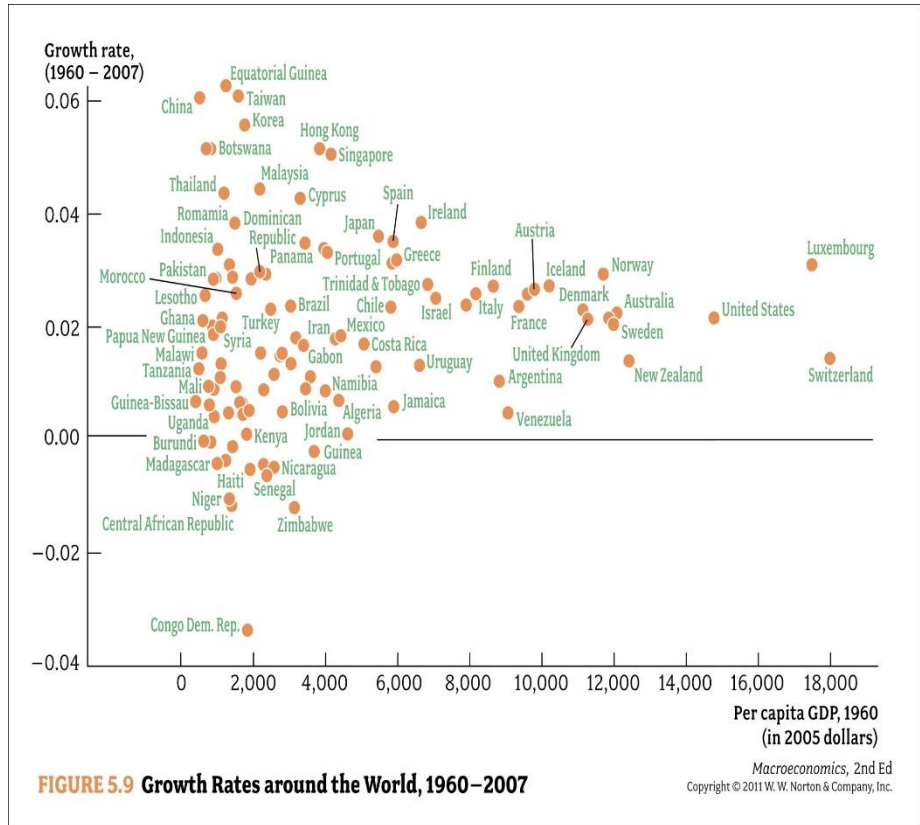
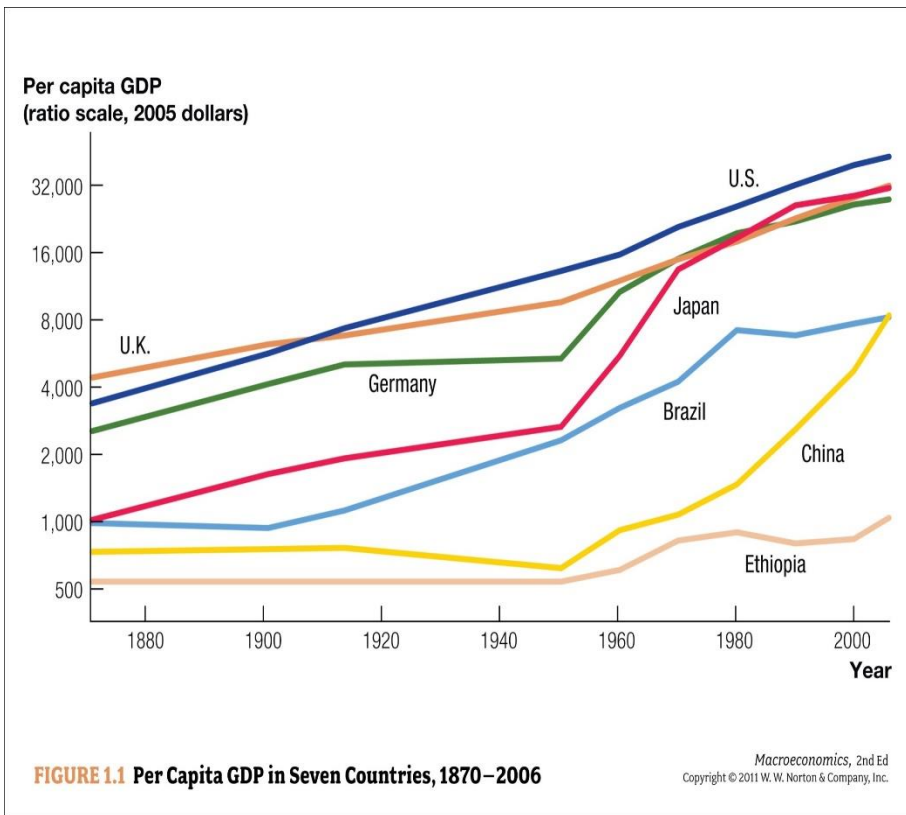
Poverty in India

Affluent society in developed countries.

Group	Income range	Example
High income (79)	>\$12,235	North America, Western Europe, East Asia, oil-rich Middle East.
Upper middle income (55)	\$3,956 - \$12,235	South America, Eastern Europe, Russia, South-East Asia.
Lower middle income (52)	\$1,006 - \$3,955	South America, Central Asia, Africa.
Low income (31)	<\$1,006	Central and East Africa
World average	10,302	

LONG-TERM GROWTH ISSUES

Income differences ← Growth performance



Decimal points

Growth rate,
(1960 – 2007)

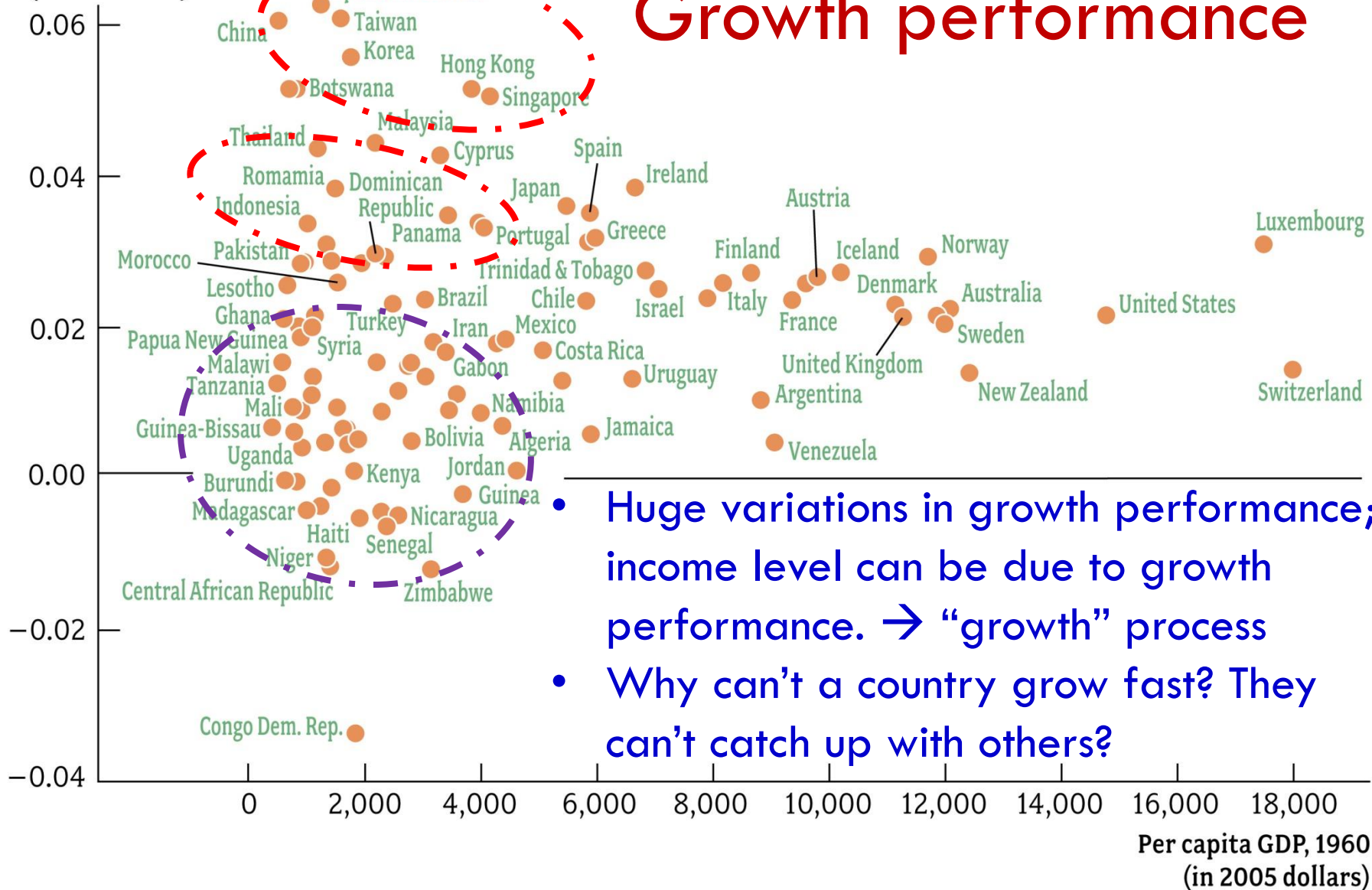


FIGURE 5.9 Growth Rates around the World, 1960–2007

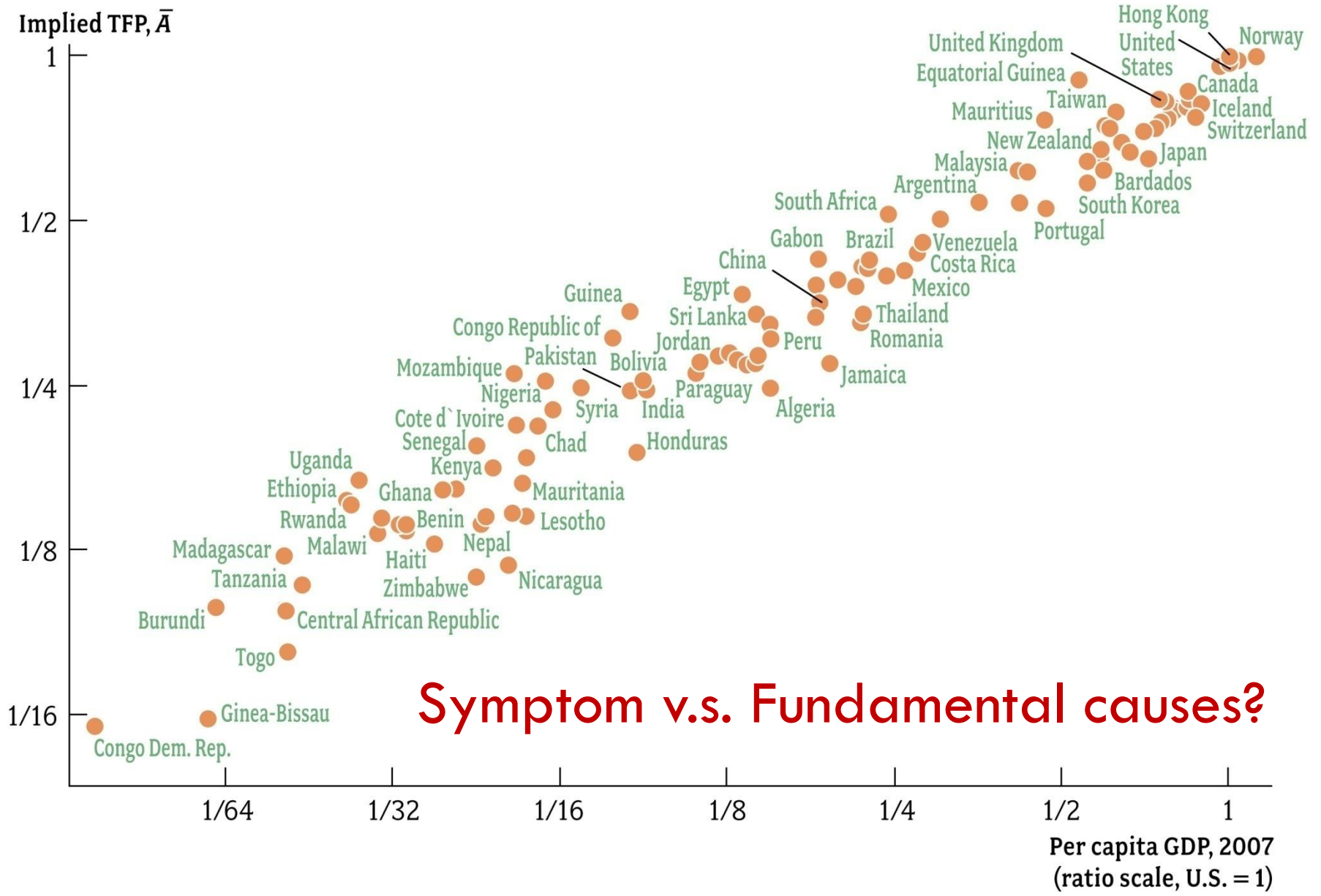
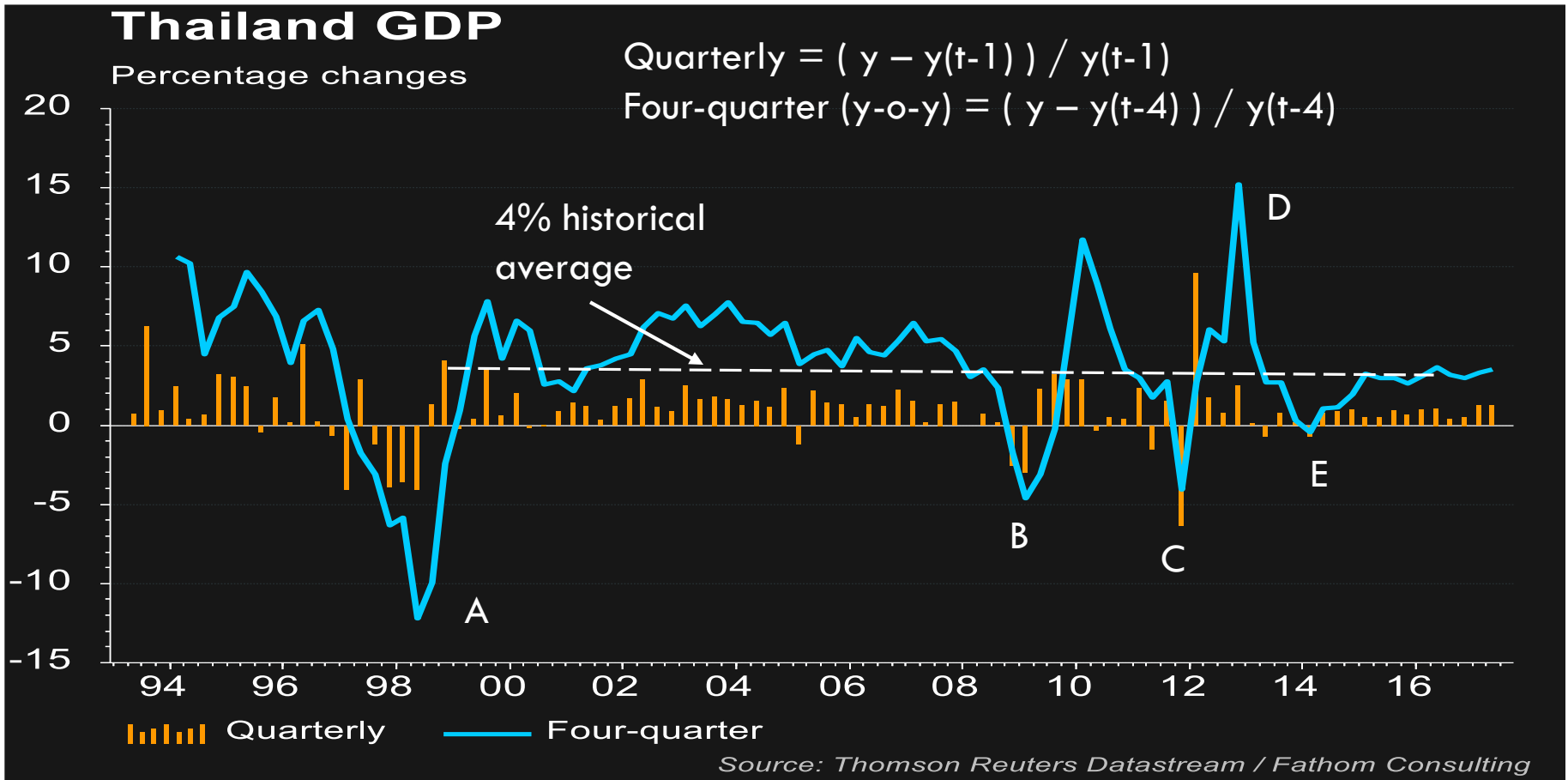


FIGURE 4.7 Measuring TFP So the Model Fits Exactly

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”**

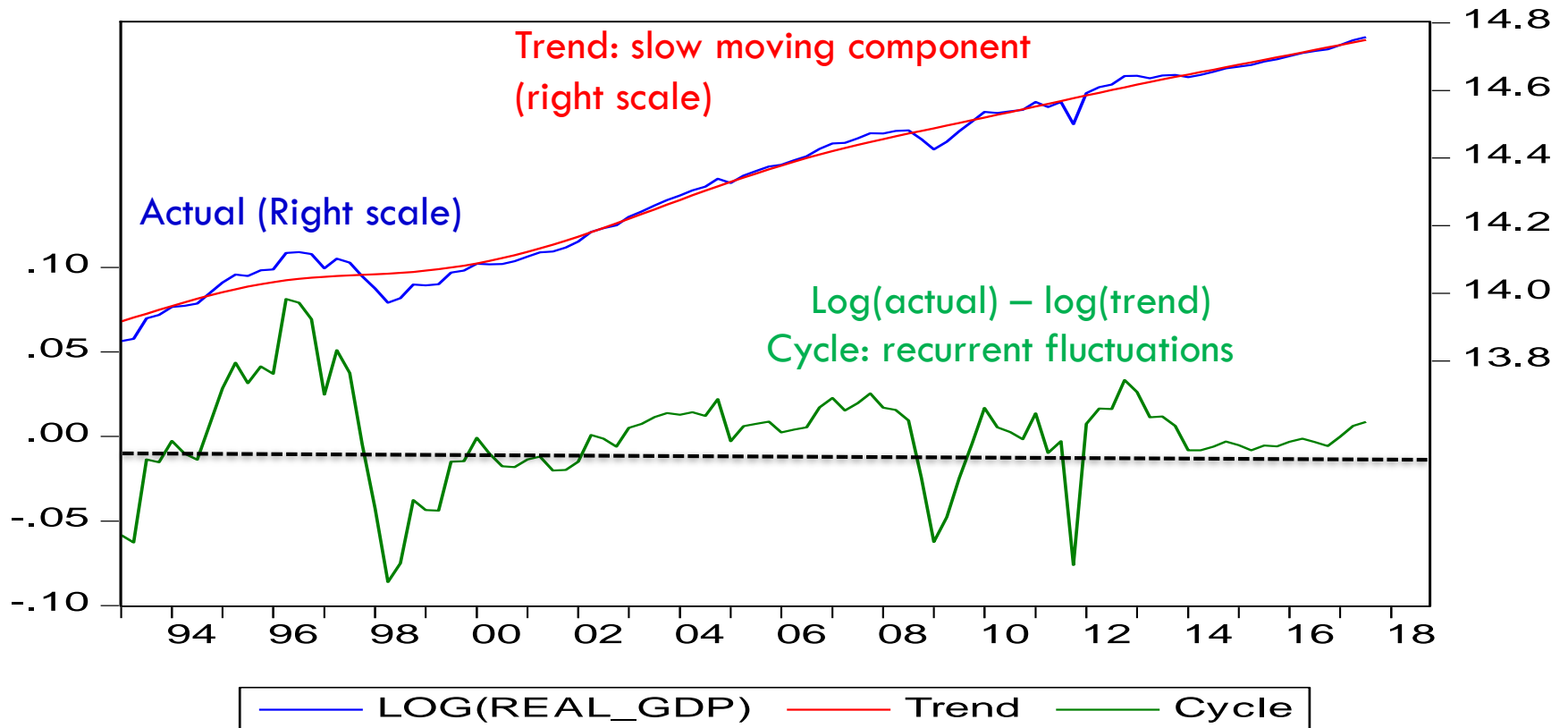
UNSMOOTH GDP GROWTH



THAILAND BUSINESS CYCLES

Hodrick-Prescott Filter (lambda=1600)

Log scale



WRAP UP: QUESTIONS IN MACROECONOMICS

	Long-term Growth	Business cycles
Positive	<ul style="list-style-type: none">• 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?	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• 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!

- 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 dynamic
 - **Open-economy fluctuations: IS-LM-BP**
- For midterm exam, we cover everything under the so called **“traditional business cycle framework”**

HOW DO I ORGANIZE THE LECTURE? TOPICS TO BE COVERED!

- 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.**