



B.E. International Program

Faculty of Economics, Thammasat University



Course Outline

EE 312 MACROECONOMIC THEORY (Sect 046402)

Semester 2/2013 (January 13 – May 3, 2014)

Number of credits: 4 credits

Lecture Time: Tuesday and Thursday, 11:00 – 13:00 hrs

Lecture Venue: Room 206, 2nd floor, Faculty of Economics
Thammasat University, Tha Prachan Campus

Instructor: Dr. Sicha Thubdimphun
Office : Room 470 Faculty of Economics
Email : sicha@econ.tu.ac.th
Office Hours: Tuesday and Thursday, 13:30 – 14:30 hrs.
or by appointment

Prerequisites: *EE 211 and EE 212*

I. Course Description

Analysis of the relationship between product, money, securities and labor markets and the foreign sector in determining the general economic stability with emphasis on their effects on income, employment and the general price level. Study of the influence of New Classical and Keynesian theories on the analysis of economic problems and their policy implications.

II. Objective of the Course

To provide students with an understanding of macroeconomic theory and its analytical approach to economic system, as well as an ability to apply macroeconomic theory to economic problems and policies.

III. Evaluation

Exercises	10	points
Mid-term exam	30	points
Final exam	<u>60</u>	points
Total	<u>100</u>	points

Mid-term exam date: Wednesday 5 March 2014

Time: 11:00 – 13:00 hrs

Final exam date: Monday 12 May 2014

Time: 9:00 - 12:00 hrs

IV. Textbooks

Williamson, Stephen D. 2013. *Macroeconomics*. 5th ed., New York: Pearson Addison-Wesley.

V. Lecture Outline

1. Introduction (1 time, Week 1)

- 1.1. The subject of macroeconomics
 - 1.2. Gross Domestic Product
 - 1.3. Economic growth and business cycles
 - 1.4. Macroeconomic models
 - 1.5. Micro-based macroeconomic theory
- Read: Williamson, Ch1.

2. Macroeconomic Measurement (2 times, Week 1 – 2)

- 2.1. Review on GDP measurement
 - 2.2. Real GDP and nominal GDP
 - 2.3. Chain-value measure GDP
 - 2.4. Price indices and inflation measurement
 - 2.5. Labor market measurement
- Read: Williamson, Ch.2.

3. A Closed-Economy One-Period Macroeconomic Model (4 times, Week 3 – 4)

- 3.1. Consumer: work-leisure decision and labor supply
 - 3.2. Firm: profit maximization and labor demand
 - 3.3. Government sector
 - 3.4. Competitive equilibrium and Pareto optimality
 - 3.5. Model application: Changes in government spending and total factor productivity.
- Read: Williamson, Ch.4, 5.

4. Economic Growth (4 times, Week 5 – 6)

- 4.1. Solow growth model
- 4.2. Growth accounting
- 4.3. Income disparity among countries
- 4.4. Endogenous growth: human capital accumulation
Read: Williamson, Ch.7, 8.

5. A Two-Period Model: the Consumption-Savings Decision (4 times, Week 6 – 7)

- 5.1. Consumer: present and future consumption and the real interest rate
- 5.2. Effect of permanent and temporary increases in income.
- 5.3. Government sector and competitive equilibrium
- 5.4. The Ricardian Equivalence Theorem
Read: Williamson, Ch.9.

----- **Midterm Examination Period (Week 8)** -----

6. A Real Intertemporal Model with Investment (4 times, Week 9 – 10)

- 6.1. Consumer: current labor supply and demand for consumption goods
- 6.2. Firm: current labor demand and investment decision
- 6.3. Government sector and competitive equilibrium
- 6.4. Current labor market and current goods market
- 6.5. Model applications: changes in government spending, capital stock, total factor productivity
Read: Williamson, Ch.11.

7. A Monetary Intertemporal Model (4 times, Week 11 – 12)

- 7.1. The money supply
- 7.2. The market for credit card services and the demand for money
- 7.3. Government sector and competitive equilibrium
- 7.4. Monetary neutrality
- 7.5. Applications: changes in total factor productivity, shifts in money demand
- 7.6. Monetary policy and rules
Read: Williamson, Ch.12.

8. Business Cycle Models with Flexible Prices and Wages (2 times, Week 12 -13)

- 8.1. The real business cycle model
- 8.2. A Keynesian coordination failure model
Read: Williamson, Ch.13.

9. Keynesian Business Cycle Theory (4 times, Week 13 -14)

- 9.1. The sticky wage model
- 9.2. The IS-LM, AD-AS model
- 9.3. The non-neutrality of money
- 9.4. Fiscal and monetary policies in the Keynesian model.
Read: Williamson, Ch.14.

10. International Macroeconomics (2 times, Week 14 -15)

- 10.1. A two-period small open economy model
- 10.2. Changes in the world real interest rate, government spending, total factor productivity
- 10.3. Exchange rates and Purchasing Power Parity
- 10.4. A small open economy with a flexible exchange rate
- 10.5. A small open economy with a fixed exchange rate
- 10.6. The capital account

Read: Williamson, Ch.15, 16.

11. Inflation and unemployment (2 times, Week 15 -16)

- 11.1. The Phillips Curve and monetary policy
- 11.2. Unemployment: search and efficiency wages

Read: Williamson, Ch.18, 6.

----- **Final Examination Period** -----

VI. Grading Policy:

Students are graded on a curve. There is no permanent letter grade for any exam. Thammasat grading system which appears on the back of students' transcript are follows.

- A = 4.0 (85 – 100) Excellent
- B+ = 3.5 (75 – 84) Very Good
- B = 3.0 (70 – 74) Good
- C+ = 2.5 (65 – 69) Fair
- C = 2.0 (60 – 64) Adequate
- D+ = 1.5 (50 – 59) Poor
- D = 1.0 (40 – 49) Very Poor
- F = 0 (< 49) Fail

The above criteria can be considered as an approximate guideline. The lecturer reserves the right to modify the grading criteria.

A student cannot ask a special letter grade other than the grade assigned. Otherwise, the rights of other students are violated and a student has no right to ask for such a violation.

VII. Other Policies:

Any changes to the course outline (if any) **will be announced in the class or uploaded on BE moodle.**

It is the responsibility of the students to obtain any information announced in the class. Ignorance of such information due to absence of class is not a valid defence.

If a student has any question about the lecture, please do not hesitate to consult the lecturer during office hours. The lecturer would be pleased to assist.

If a student is not convenient to meet at the lecturer's office hours, please make an appointment in advance via email. Please allow enough time (at least 2 working days) for the lecturer to confirm the appointment. The student also should confirm such an appointment by emailing back.

Attendance is highly encouraged.

Proper manner and courtesy are expected.

A student may contact me by sending email. On the night before an exam the cut off for any question is 5.00 pm. Please note that I can provide only short answers via email. If you prefer long answers, please come to visit me during office hours or you may make an appointment.

Important Dates

Class Begins	January 13, 2014
Adding and Dropping Course	January 13-27, 2014
Midterm Exam Period	March 3-8, 2014 (No Lectures)
Midterm Exam	March 5, 2014 ; 11:00 – 13:00 hrs
Course Withdrawal with "W"	March 19-24, 2014
Class Ends	May 3, 2014
Final Exam	May 12, 2014 ; 9:00 - 12:00 hrs