

# INTERMEDIATE MACROECONOMICS

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EE312

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# LOGISTIC INFORMATION

- **Instructor:** Dr. Kittichai Saelee
- **Lecture venue:** Room 302; 11 am – 1.00 pm. (2 hours)
- **Contact:** kittichai\_lee[at]econ.tu.ac.th
- **Office hours:** Room#516, Fri between 2.30 pm and 4 pm.
  - Book your appointment in my Google calendar:  
<https://goo.gl/fgydUR>
  - Students are required to switch to use official email provided by BE program.
  - To acquire an account, please check  
<http://www.checkmail.econ.tu.ac.th/>

# LOGISTIC INFORMATION

- Evaluations:
  - Homework: 10%
  - Quiz: 10% (drop the lowest one)
  - Midterm: 40%
    - ~~Set in the BE schedule (Mar 6, 2019, 12.00 – 14.00)~~
    - Proposed to reschedule to Mar 9, 2019 between 13.00 and 16.00 (Saturday)
  - Final exam: 40% **(May 21, 2019, 13.30 – 16.00)**
- \* No make-up exam will be given; please manage schedule ahead of time.
- \* Grading is based on curve/distribution.
- Class materials will be posted on the BE moodle. (passcode: **6841**)

# 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!

# AGENDA

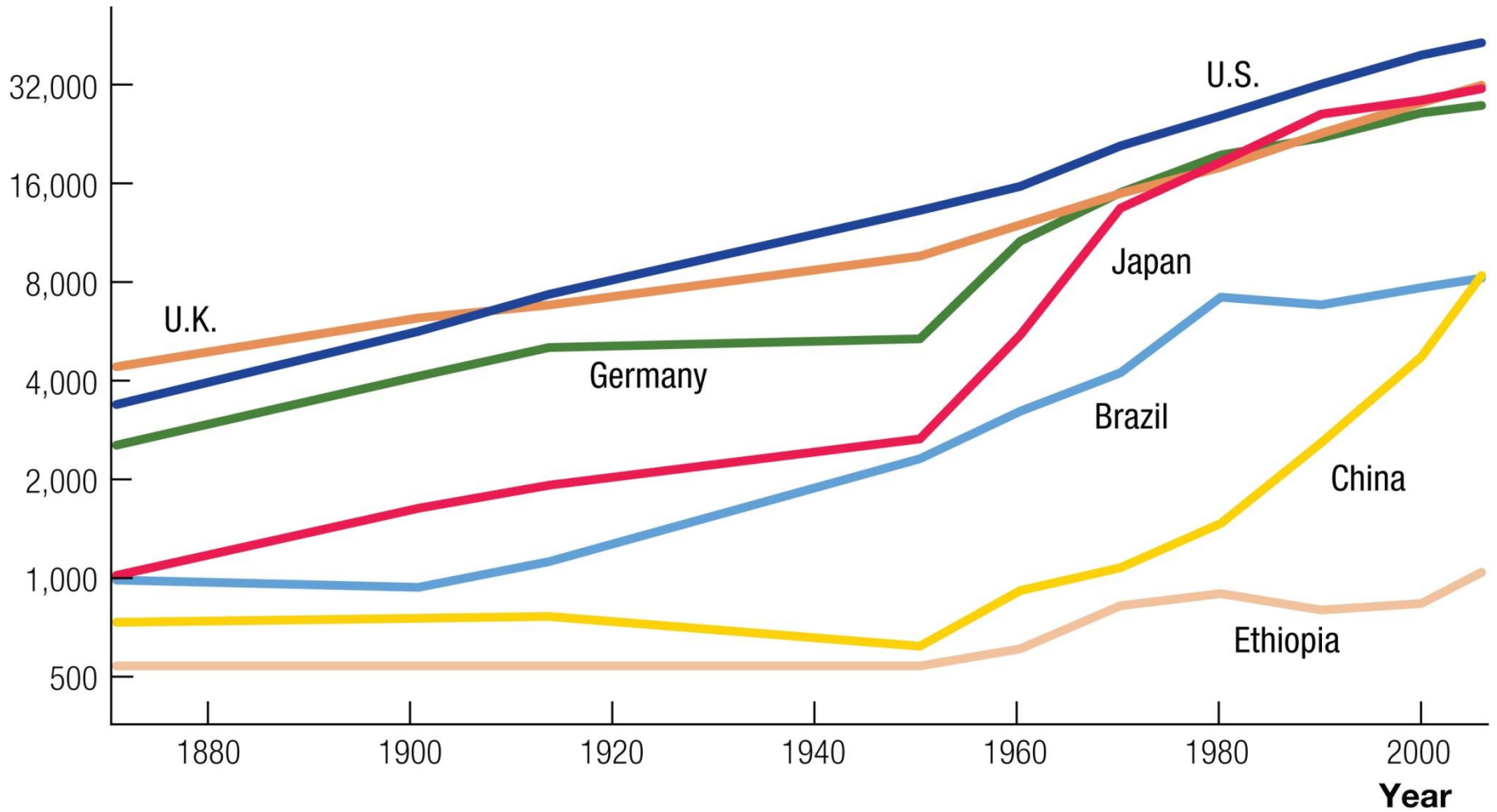
- Logistic information
- What do we study in this course?



# 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**) of the **two big issues** in macroeconomics:
  - Long-term growth
  - Business cycles fluctuations

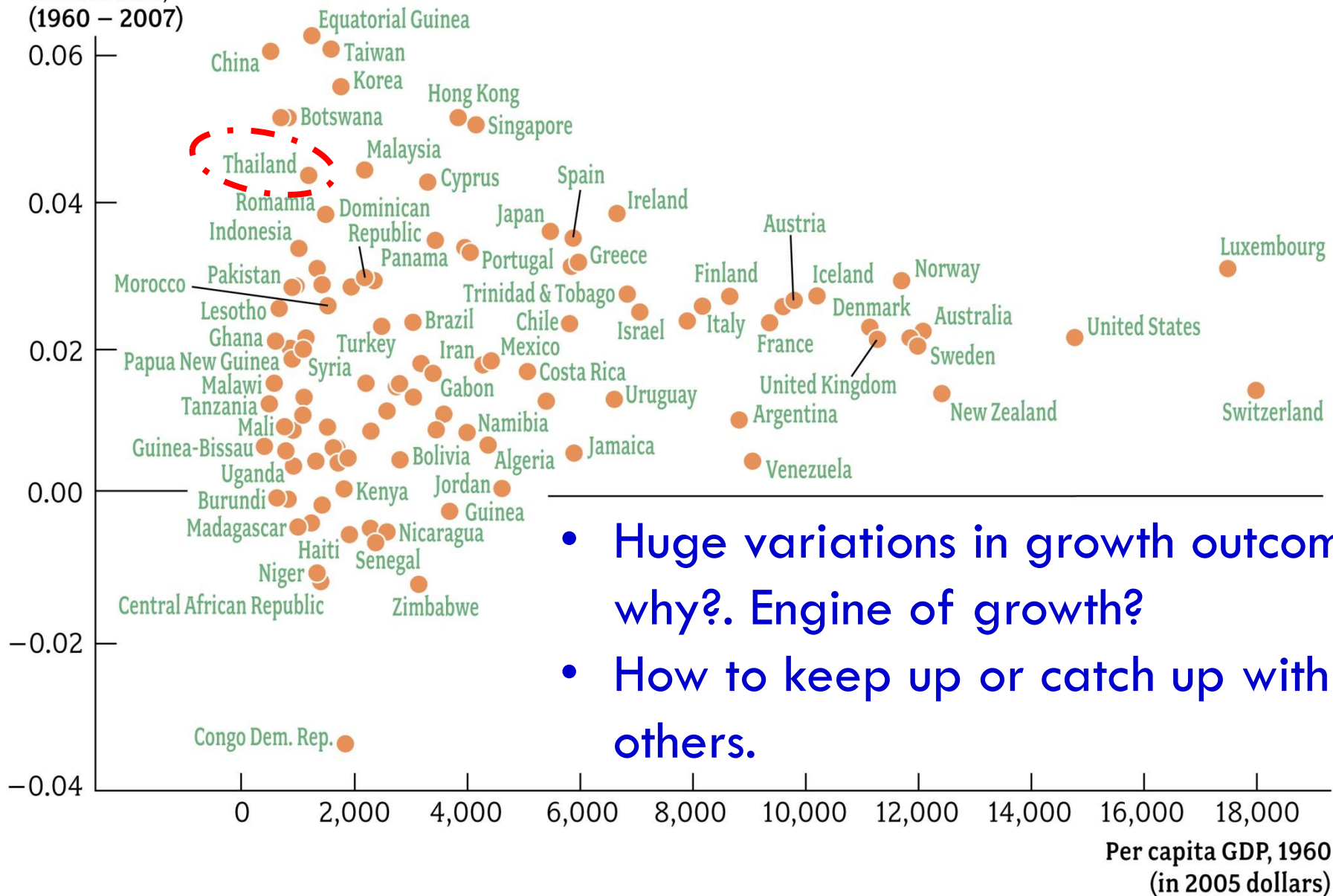
**Per capita GDP  
(ratio scale, 2005 dollars)**



**FIGURE 3.6** Per Capita GDP in Seven Countries, 1870–2006

## Decimal points

Growth rate,  
(1960 – 2007)



- Huge variations in growth outcome: why?. Engine of growth?
- How to keep up or catch up with others.

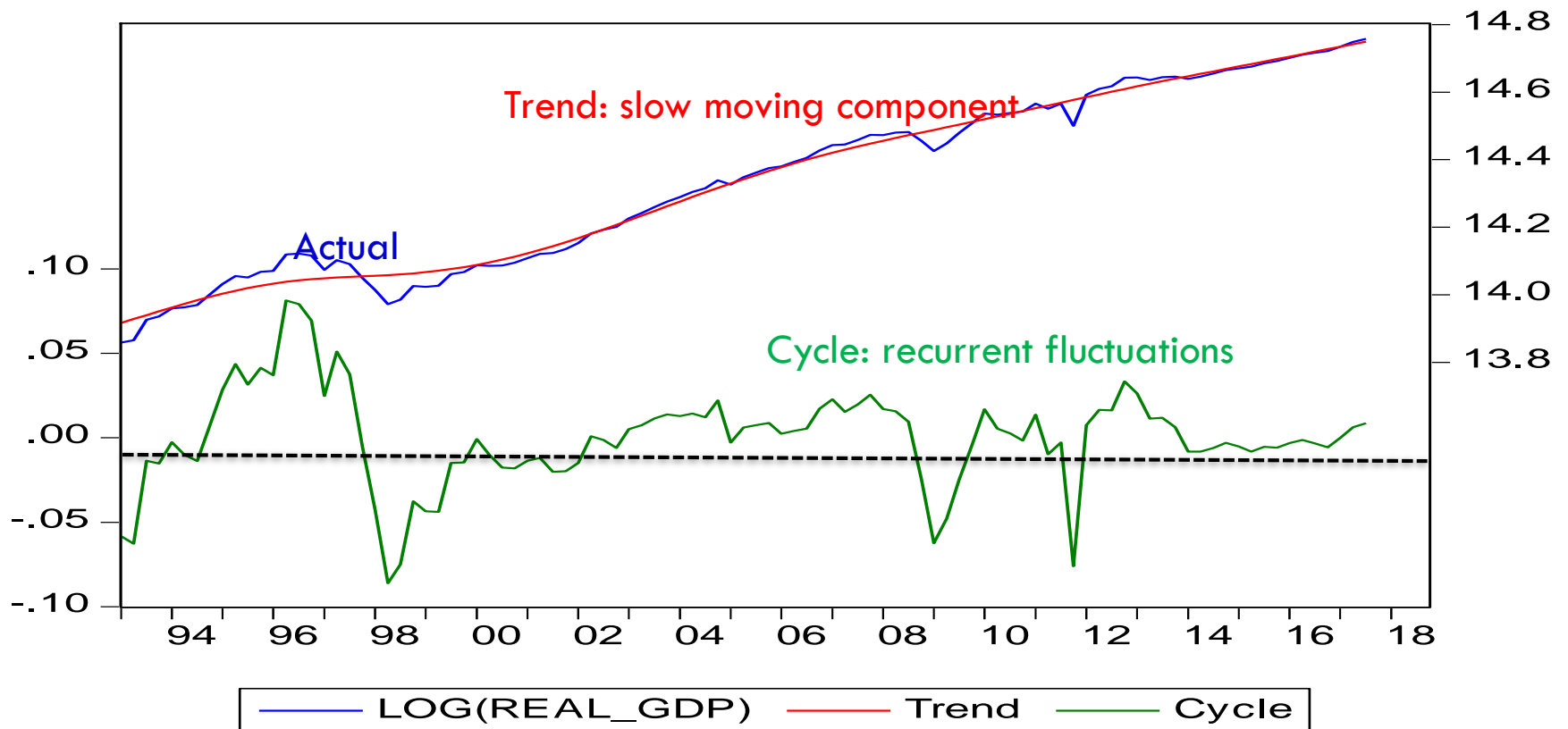
**FIGURE 5.9** Growth Rates around the World, 1960–2007

# SHORT-RUN OR MEDIUM-RUN BUSINESS CYCLES

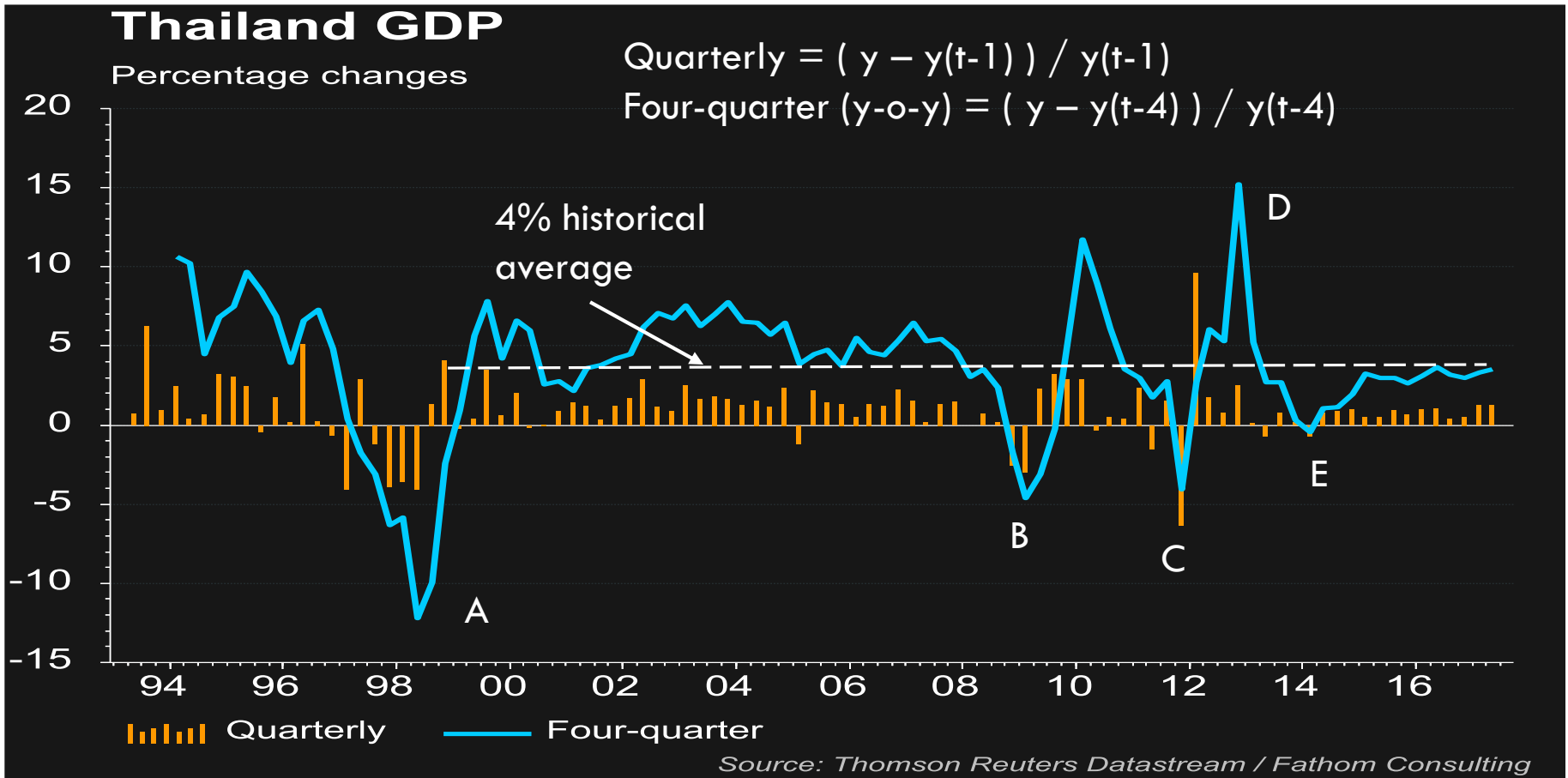
- Normally, we observe that country's real GDP grows over time, as the series have exhibited **upward trending pattern**.
- However, actual series are not growing at a constant rate.
  - From time to time, we observe **a deviation of the actual series from its counterpart (long-term) trend**.
- This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

# THAILAND BUSINESS CYCLES

Hodrick-Prescott Filter (lambda=1600)



# GROWTH VARIATIONS



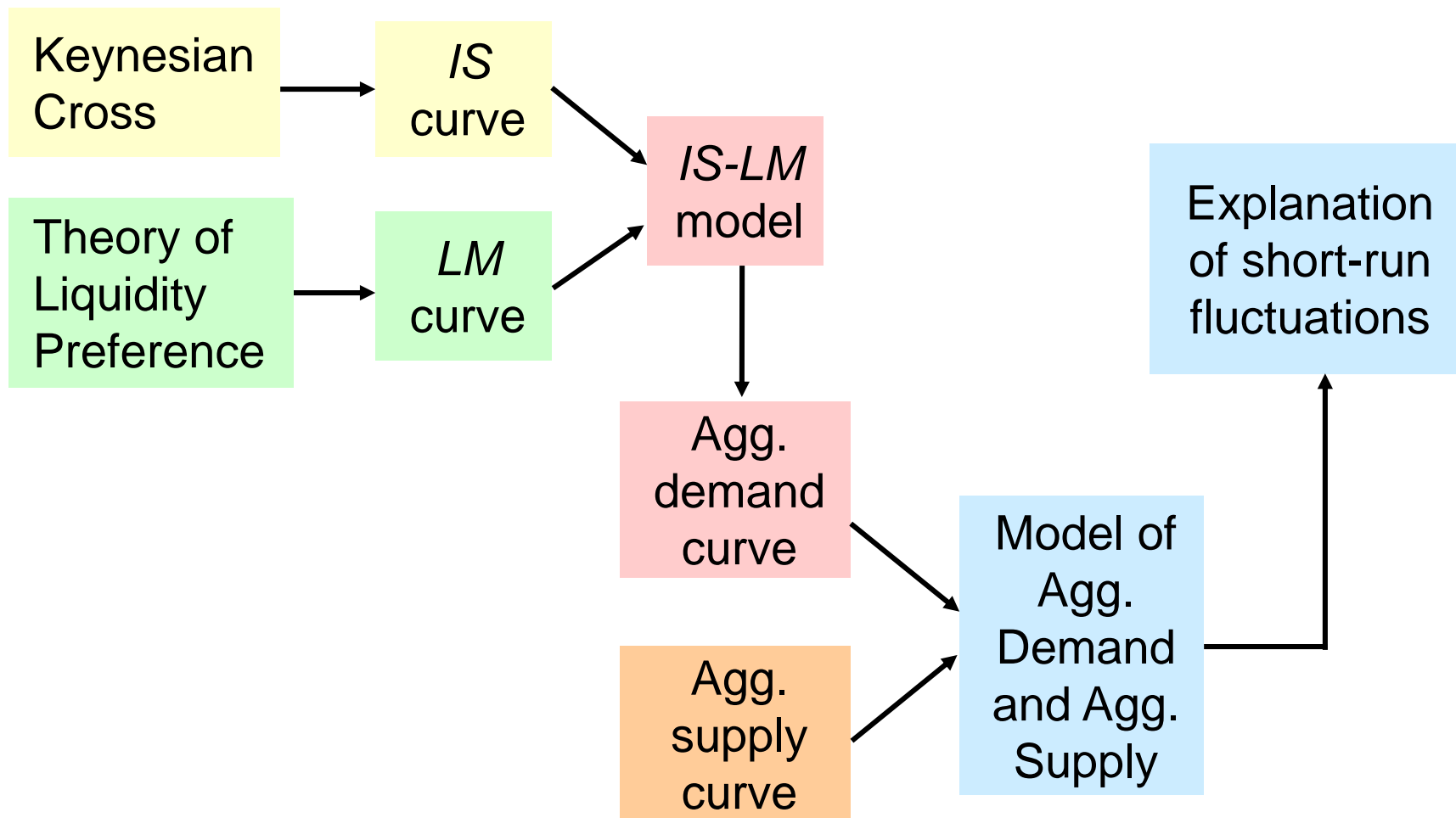
# WRAP UP: QUESTIONS IN MACROECONOMICS

	Long-term Growth	Business cycles
Positive	<ul style="list-style-type: none"> <li>• What causes the disparity in the level of income per capita across countries?</li> <li>• Why do some countries grow, on its average basis, faster than other countries?</li> </ul>	<ul style="list-style-type: none"> <li>• Why do countries experience recurrent fluctuations in level of GDP and growth of GDP?</li> <li>• What are the mechanisms behind the fluctuations? Pattern of fluctuations across different variables?</li> <li>• Why do the recessions occur?</li> </ul>
Normative	<ul style="list-style-type: none"> <li>• What can we do to improve our country?</li> <li>• How to catch up the level of income per capita that other wealthy countries have been experiencing.</li> </ul>	<ul style="list-style-type: none"> <li>• What do need to do to maintain our economy to remain stabilized around its long-term path?</li> <li>• Should or shouldn't we intervene the system by any government policies? If yes, how?</li> </ul>

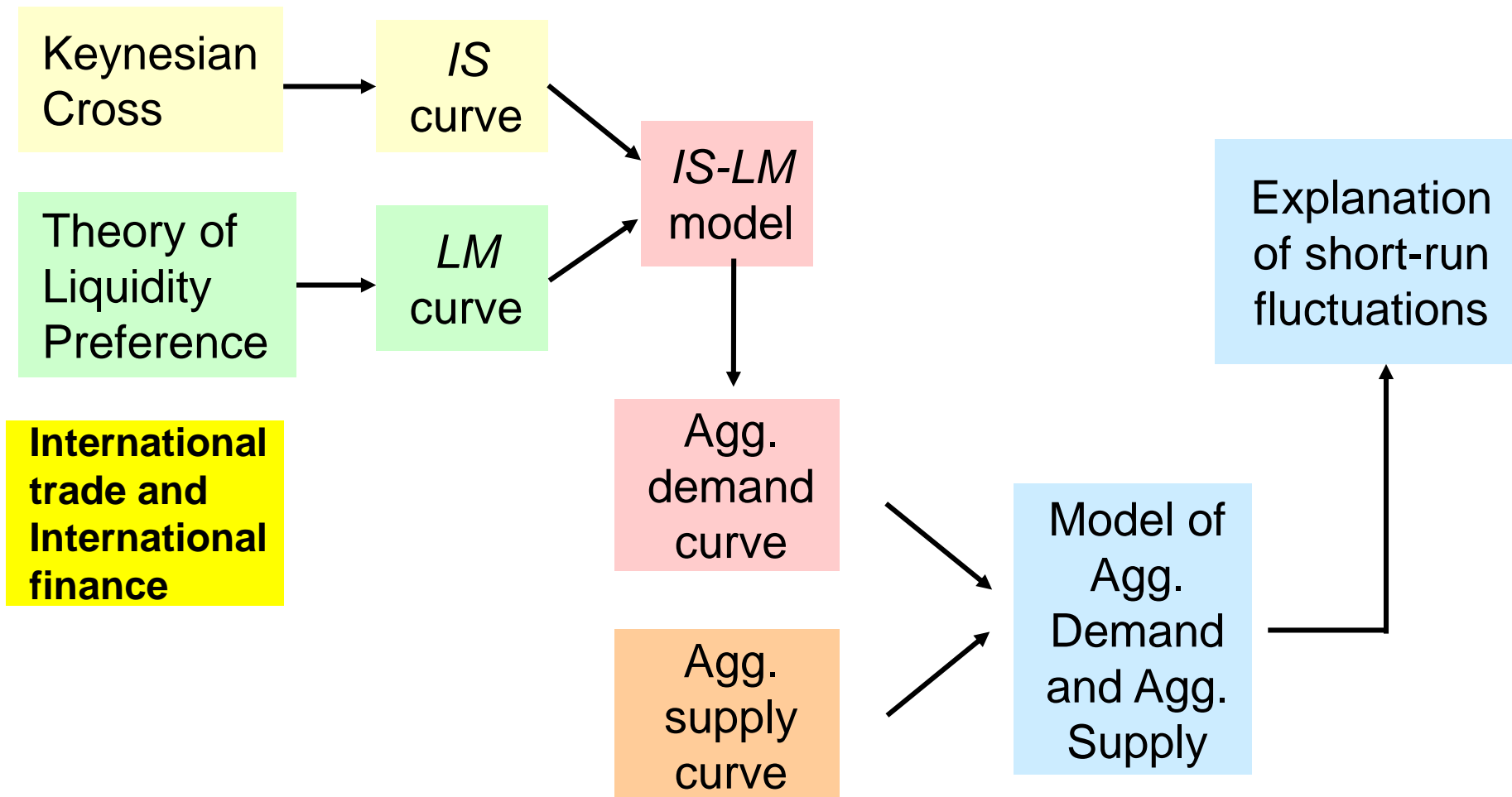
# HOW DO I (WE) ORGANIZE THE TEACHING IN THIS COURSE?

- By time horizon! Short → Medium → Long
- Short-run business cycles
  - how does the deviation take place at the beginning?
  - Look into **propagating mechanism of shock**.
- Medium-run business cycles
  - After a deviation, how does the economy **adjust and revert** itself to the long-term trend.
- Long-run growth process
  - Understanding the average long-term growth

# SHORT-RUN FLUCTUATIONS IN EE212: THE KEYNESIAN SYSTEM

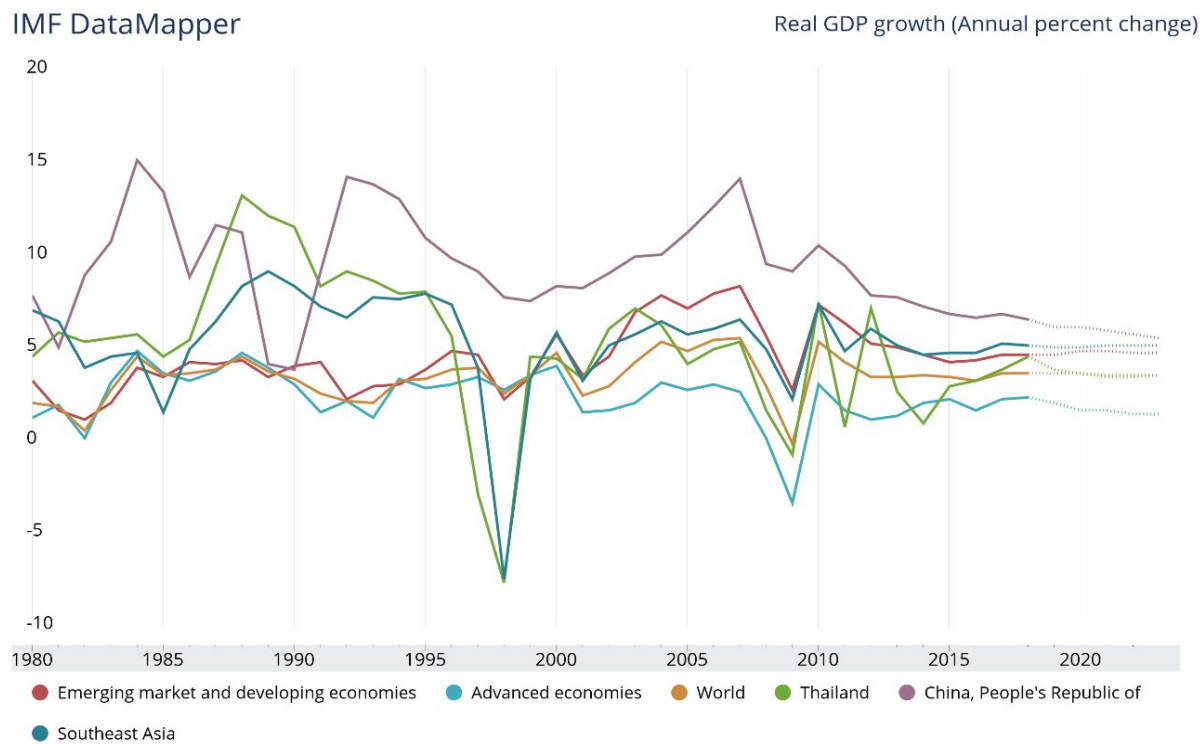


# WHAT'S NEW IN EE312 THEN?: EXTENSIONS OF KEYNESIAN SYSTEM

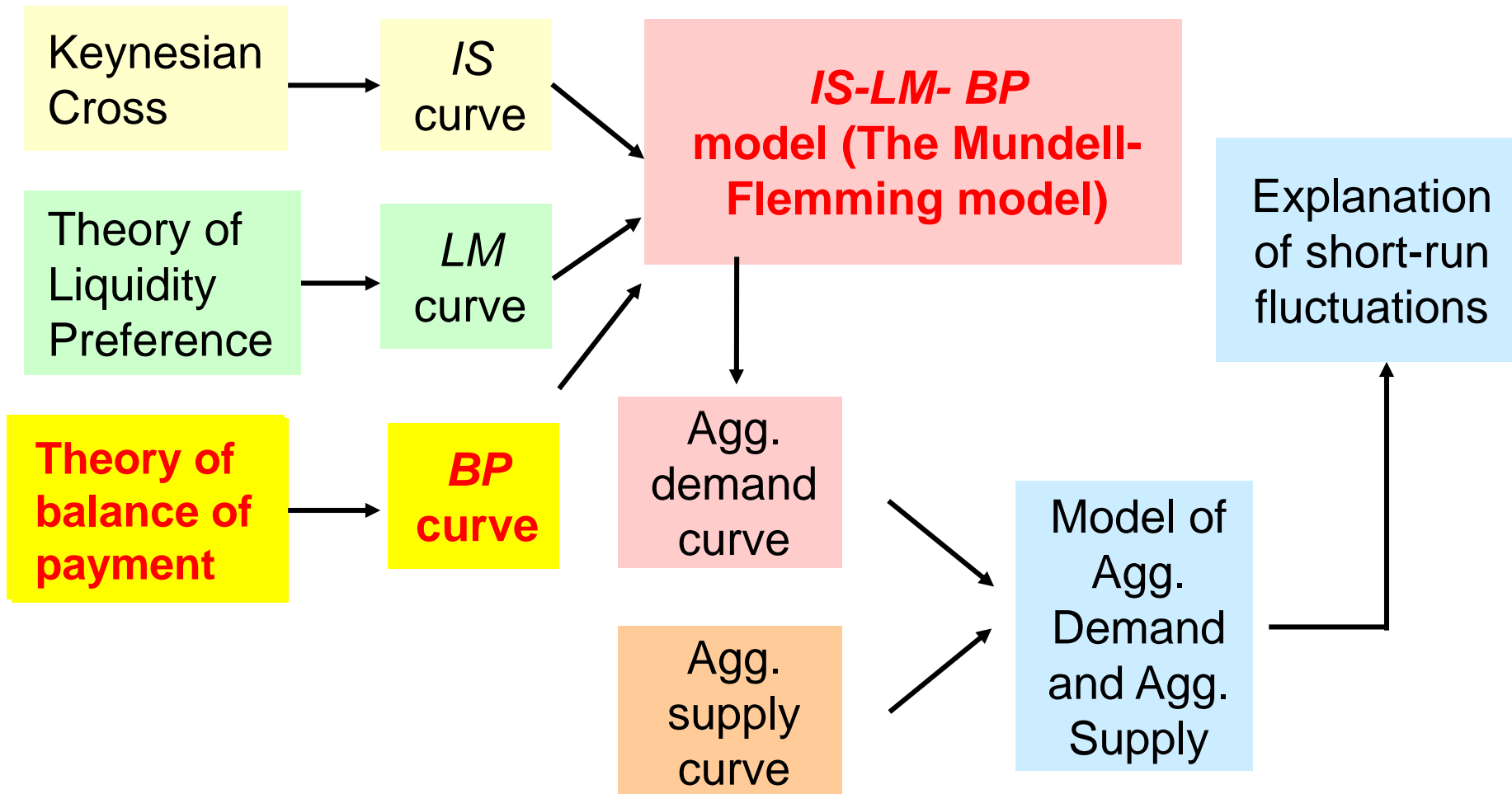


# WHAT'S NEW: INTERNATIONAL DIMENSION

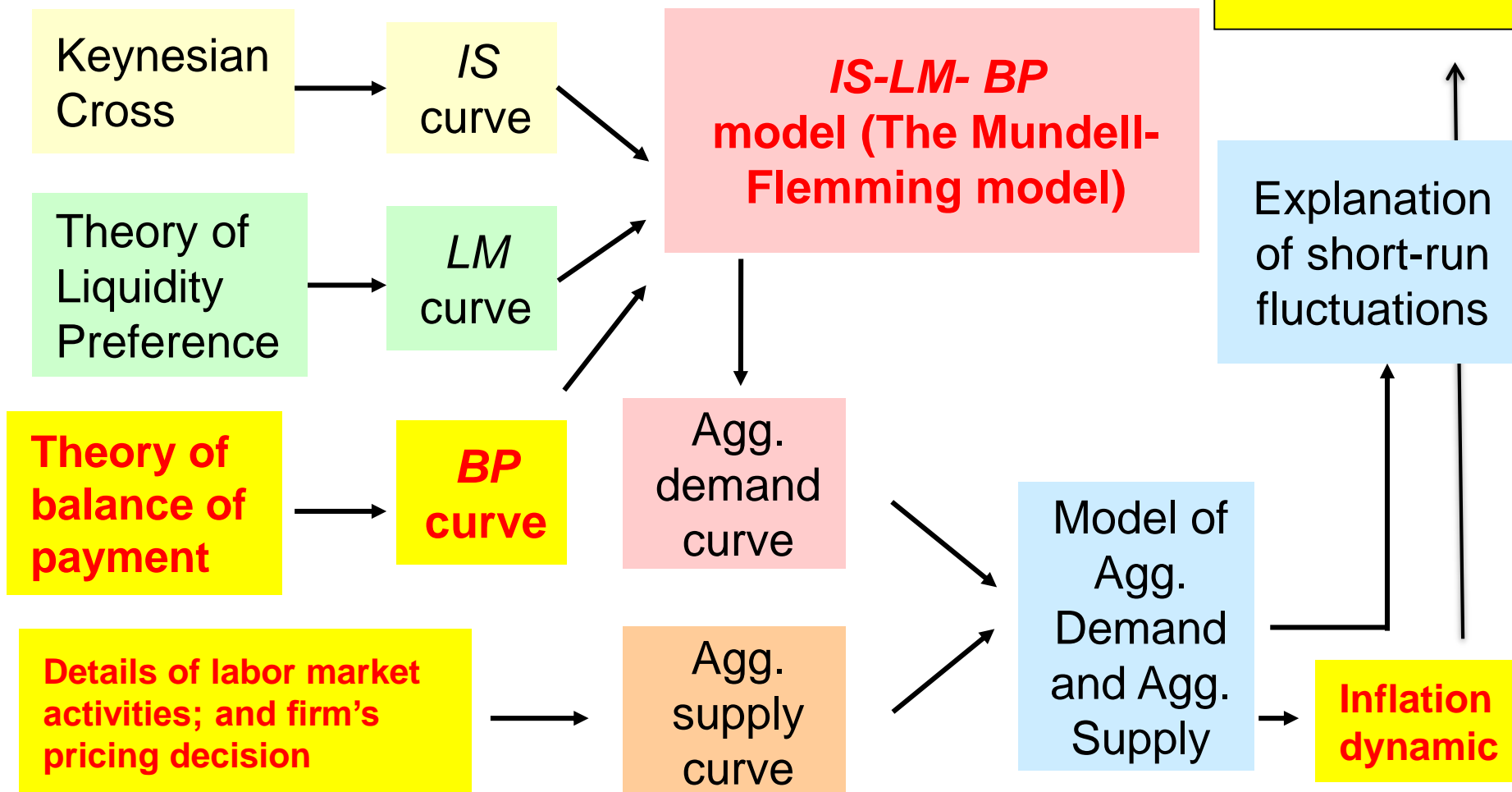
- Focus more on **international dimensions**; knowing how to explain the connection between global and Thai macroeconomy. Why?



# WHAT'S NEW IN EE<sub>312</sub> THEN?: *EXTENSIONS OF KEYNESIAN SYSTEM*



# WHAT'S NEW IN EE<sub>312</sub> THEN?: EXTENSIONS OF KEYNESIAN SYSTEM



# APPROACH

- We present **two different approaches** for the business cycles studies
  - Non micro-foundataion approach (traditional)
  - Micro-foundataion approach (modern)

# MICRO-FOUNDATION APPROACH

- Historically, Keynesian Macroeconomics emerged itself as a specific field in economic around 1930s; **The Great depression**.
- Opponents (**Classical economists**) to the approach argued that the framework was not correct.
- However, people didn't care because Keynesian models did a very good job in terms of explaining data, forecasting, and provide policy recommendations; **economy had been stable**.

# MICRO-FOUNDATION APPROACH

- Opponents' voices were recognized around 1970s' as the traditional model failed to explain what happened during **the first oil shocks – i.e. the stagflation.**
- This led to the extensive use of micro-foundation approach as the framework for macroeconomics studies; **paradigm shifted since then.**

# TRADITIONAL V.S. MICRO-FOUNDATION

- The idea is simple: **macroeconomics is the aggregation of individuals behavior; bottom-up approach.**
- Having a proper understanding how micro-level unit makes decision should allow for better predictions; **models fit the data better.**

# TRADITIONAL V.S. MICRO-FOUNDATION

- Flexible than traditional Keynesian framework because we can **add more ingredients** into the analysis.
- Provide more structurally coherent interpretation on data; **lot of tools in statistics** have been well developed for taking the micro-foundation models to **test with data**.

# 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.**