

Course Outline
EE212 PRINCIPLES OF MACROECONOMICS
Semester 1/2021

Number of credits: 3 credits

Lecture Time: Section 046401: Tuesday and Thursday, 08.00 – 09.30 AM

Lecture Venue: Online via Zoom
Meeting ID 401 722 7860
(no password required)

Instructor: **Section 046401:** Pongpalin Yingchoncharoen
Email: pongpalin@econ.atu.ac.th

Office hours: By appointment / Line ID: @greatking13

Course Description

This is a mandatory first-year undergraduate course that is aimed at introducing macroeconomics, their applications, and limitations. The course will explore how macroeconomic theories attempt to explain how society functions, and how they are constantly challenged by actual economic realisations and new data.

This course explains the current state of literature on the determinants of economic growth, and how/why they vary across countries. The foundations include understanding the determination of national income, theories of aggregate consumption and aggregate investment, accelerator principle, money market, theory of demand for and supply of money, the joint equilibrium model of product and money markets (IS-LM model), balance of payments, and fiscal and monetary policies as means to 'stabilise' an economy. This will lay the foundation of your future economic courses and career.

Important debates on the Thai economy, as well as the 1997 Asian Financial Crisis, Subprime Crisis, public debt, and inequality will be critically examined.

Course Objective:

Introduce students to the formal study of economics, the necessary tools, as well as the current state of macroeconomic knowledge;

- Equip students with tools to understand and solve economic problems using principles, measurement, and observation;
- Make students acquainted with economic data sources such as national income, GDP, and labour force statistics and surveys;
- Provide students with the knowledge and understanding of economic statistics such as economic growth, unemployment rate, inequality indicators, inflation – along with their conceptual or source-based limitations;

- Introduce students to academic research writing through class assignments, and guide the development of research methods;

Prerequisites: Exclusively for economics major student or students who plan to transfer to the economics major

Evaluation:

Assignment and Problem sets	10%
Midterm exam	35%
Final exam	55%
Total	<u>100%</u>
Mid-Term Examination	Saturday 2 October 2021 Time: 08.00 – 09.30 am
Final Examination	Friday 17 December 2021 Time: 1.30 – 4.00 pm

Remarks: 1) Evaluation methods are subject to change

2) No classes will be held during Songkran holidays

3) To pass this course, it is necessary (but is not sufficient) to attend and actively participate in every class. There will be assignments and problem sets throughout the course. In order to excel in the problem sets and examinations, students are expected to have a good working knowledge of the topics covered based on class materials, mandatory reading list, and own research.

Main Text (Choose one of these textbooks, then choose the latest edition available for that textbook):

Case, Karl E. and Ray C. Fair (2009), *Principles of Macroeconomics* (9th ed.): Prentice Hall.

Core-Econ, [*The Economy*](#).

Krugman, P. and Robin Wellis (2018), *Macroeconomics* (5th ed.): Worth Publishers.

Wattanakoon, Panit (2021), *Principles of Macroeconomics* (W)

Recommended Text

Froyen, Richard T. (2009), *Macroeconomics, Theories and Policies* (9th ed.): Prentice Hall.

Lipsey, R.G., Ragan, C.T.S. and Storer, P.A. (2008), *Economics* (13th ed.): Pearson Addison-Wesley

Mankiw, N.G., *Principles of Macroeconomics* (2009): South-Western Cengage Learning

Class Policies:

Attendance is strongly encouraged. 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, it is highly encouraged to raise them in class.

Exam materials are cumulative – meaning that in order to perform well in the finals, students must have good understanding of the materials covered in the midterms. Make-up examinations are not permitted unless; (i) in case of illness – you need to provide the faculty with the doctor's medical note; (ii) family emergency – case-by-case basis.

Students are encouraged to work together and exchange ideas outside of class. However, plagiarism and cheating will be treated seriously with disciplinary actions. Thammasat University and our faculty take academic integrity extremely seriously, and there will be academic consequences if you are found possibly guilty of misconducts. Please refer to the university guidelines if you have any questions.

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

Expected Learning Outcomes:

1. Morality and Ethics

Applicability	Expected Learning Outcomes
●	1.1 Students demonstrate integrity.
○	1.2 Students prioritize social and public benefits over personal ones.
●	1.3 Students are punctual and comply with the code of conduct of the institution and society at large.
○	1.4 Students are responsible and accountable to society, the nation, and the subject of economics.
○	1.5 Students realize the cultural and environmental value of the sustainable society.

2. Knowledge

Applicability	Expected Learning Outcomes
●	2.1 Students know and understand modern economics principles and theories, and are up to date with new developments.
●	2.2 Students know and understand Thai and global economic structure, and the importance of major international economic events.
●	2.3 Students know and understand instruments of economic analysis.
●	2.4 Students know and understand applied fields in economics, including monetary, public, international, business, natural resource and environmental, industrial, agricultural, cooperative, political, developmental, and entrepreneurial economics as well as agribusiness.
○	2.5 Students are informed about related fields including sociology, business administration, education, law policy, and science.

3. Intellectual Development

Applicability	Expected Learning Outcomes
●	3.1 Students have developed individual critical thinking.
●	3.2 Students are sufficiently trained in research skills.

●	3.3 Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand causes of current economic problems in Thailand. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems.
---	---

4. Interpersonal Skills and Responsibilities

Applicability	Expected Learning Outcomes
●	4.1 Students are responsible for assigned tasks and work in groups effectively.
○	4.2 Students have problem-solving skills.
○	4.3 Students show leadership skills and team spirit.
●	4.4 Students are always improving themselves.
○	4.5 Students have good interpersonal skills, adapting and working under different conditions.

5. Quantitative Analysis, Communication and Information Technology

Applicability	Expected Learning Outcomes
●	5.1 Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems.
○	5.2 Students communicate effectively and select appropriate presentation methods.
●	5.3 Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results.

Teaching Plans

Week	Topic	Reading
1	1. Introduction to Macroeconomics (3 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 economic thoughts	The Economy, unit 1 Krugman & Wells, chapter 6 Case & Fair, ch. 5, 7; LRS, ch. 1, 2, 19, 31; Mankiw ch. 1, 2, 23 W, ch.1
2	2. Main measurements in macroeconomics (3 hours) 2.1 The component of macro economy 2.2 Circular flow diagram 2.3 GDP vs GNP 2.4 Measurement of GDP 2.4.1 Product approach 2.4.2 Expenditure approach 2.4.3 Income approach 2.5 Nominal GDP vs. Real GDP and GDP deflator 2.6 Limitation of GDP concept 2.7 Measuring price changes: inflation and deflator 2.8 Measuring unemployment: definitions and limitations 2.9 Measuring distribution: concepts and limitations	Krugman & Wells, chapter 7, 8 Case & Fair, ch. 6; LRS, ch.20, Mankiw ch. 10, 11 W, ch.2

Week	Topic	Reading
3, 4	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 Inflationary and deflationary gap 3.5 Keynesian, Classical and Non-Keynes non-classical concept	Case & Fair, ch. 6; LCR, ch.21, 22 Krugman & Wells, chapter 9 W, ch.3
5, 6	4. Short-run economic fluctuations, unemployment, and fiscal policy at work (6 hours) 4.1 Growth and economic fluctuations 4.2 Output growth & changes in unemployment 4.3 Transmission of economic shocks 4.3.1 Household target wealth & consumption spending 4.3.2 Investment spending 4.4 Objectives of fiscal policy: dampening or amplifying fluctuations 4.5 Paradox of Thrift & the fallacy of composition 4.6 Multiplier and policymaking 4.7 Budget balance & government's finances 4.8 Fiscal policy and the rest of the world	The economy, unit 13-14 Krugman & Wells, chapter 11, 13 Case & Fair, ch. 9; LCR, ch. 32, Froyen Ch. 18, Mankiw ch. 21 W, ch 5
Mid-Term Examination October 2, 2021 9.00-11.00 AM		
8	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	The Economy, unit 10 Krugman & Wells, chapter 14 Case & Fair, ch. 10-11; LRS, ch. 27, 28, 29, Froyen ch. 16, Mankiw ch. 16 W, ch. 6
9, 10	6. The IS-LM Model (7.5 hours)	Froyen, ch. 7

Week	Topic	Reading
	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 6.6 Fiscal & monetary policy effectiveness	W, ch. 9
11, 12	7. The AD-AS Model (3 hours) 7.1 Aggregate Demand (AD) 7.1.1 The derivation of AD curve from IS-LM model 7.1.2 Movement along AD and shifts of AD 7.2 Aggregate Supply (AS) 7.2.1 Short- and long-run AS 7.2.2 Movement along AS and shift of AS 7.3 Equilibrium and changes in equilibrium 7.3.1 Equilibrium in AD-AS model 7.3.2 Changes in equilibrium in AD-AS model 7.4 The analysis of fiscal policy and monetary policy using AD-AS model	Krugman & Wells, chapter 12 Case & Fair, ch. 12, 13; Froyen, ch. 8, ch. 10; LRS, ch. 23, 24, 25, 30; Mankiw ch. 20, 21, 22 W, ch.4
13	8. Inflation, Unemployment, and Monetary Policy (4.5 hours) 8.1 Definition and causes of inflation 8.1.1 Demand-pulled/cost-pushed inflation 8.1.2 Inflation as a monetary phenomenon 8.2 Inflation, the business cycle, and the Phillips curve 8.3 Inflation and unemployment: constraints and preferences 8.4 Phillip's curve mutation and theoretical responses 8.4.1 The role of expectation, commitment, and credibility 8.5 Shocks and policy responses 8.5.1 Supply shocks 8.5.2 Monetary policy responses, and exchange-rate channel 8.5.3 Demand shocks, and demand-side policies	The Economy, unit 15 Krugman & Wells, chapter 14, 15 W, ch.4,7
14	9. Open-economy macroeconomics (3 hours) 9.1 Capital flows & the Balance of Payment 9.2 Relationship between difference in saving and investment and current account 9.2.1 Inflation & real exchange rate 9.3 The market for foreign exchanges 9.3.1 Meaning and importance of foreign exchange rate 9.3.2 Demand & supply of foreign exchange 9.3.3 Exchange rate regimes and the impossibility trinity 9.4 Purchasing Power Parity vs Market Exchange Rate 9.5 Exchange rate and macroeconomic policymaking	Krugman & Wells, Chapter 19 Case & Fair, ch. 20; LRS, ch. 34, 35, Froyen ch. 14, Mankiw ch. 18 W, ch.8
Final Examination December 17, 2021 1.30 – 4.00 PM		

Remark: This schedule is subject to change.

ACADEMIC CALENDAR & HOLIDAY SEMESTER 1/2021

Semester 1/2021 (August 9 - November 27, 2021)	
Classes Begin	August 9, 2021
Add-drop period	August 6 - 15, 2021
Tuition Fee Installment Plan For ID.61-63 only <i>(9 AM - 10.30 PM)</i>	#Round 1 (July 16 – 18, 2021) #Round 2 (August 30 – September 3, 2021) #Round 3 (September 20 – 22, 2021)
<i>H.M. Queen Sirikit The Queen Mother's Birthday*</i>	<i>August 12, 2021</i>
<i>Prince Mahidol Day*</i>	<i>September 24, 2021</i>
Mid-term Examination Period	September 27 - October 3, 2021
Withdrawal period with "W" on record	October 11 - November 15, 2021
<i>H.M. King Bhumibol Adulyadej The Great Memorial Day*</i>	<i>October 13, 2021</i>
<i>Substitution for King Chulalongkorn's Day*</i>	<i>October 22, 2021</i>
<i>King Chulalongkorn's Day*</i>	<i>October 23, 2021</i>
Last day of class for Semester 1/2021	November 27, 2021
Final exam period	November 29-30, December 1-3, 7-9, 11-17, 2021
<i>H.M. King Bhumibol Adulyadej The Great's Birthday*</i>	<i>December 5, 2021</i>
<i>Substitution for H.M. King Bhumibol Adulyadej The Great's Birthday*</i>	<i>December 6, 2021</i>
<i>Constitution Day*</i>	<i>December 10, 2021</i>

Remark * Holiday, No classes during this period