B.E. International Program

Faculty of Economics, Thammasat University

Course Syllabus

EE 312 MACROECONOMIC THEORY

Semester 1/2019 (August 13 – December 16, 2019)

Number of credits:	4 credits (4-0-8)
Lecture Time:	Wednesday and Friday, ***11.00 – 13.30 hours***
Lecture Venue:	Room 304 , Faculty of Economics building
Instructor:	**Asst. Prof. Dr. Kittichai Saelee**

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Office hours: by appointments (via email)

Course Description

The model of joint equilibrium in product markets, money markets, and foreign exchange markets (the IS-LM-BP model); changes in equilibrium; product markets and labor markets; the model of aggregate supply and demand in closed and open economies; inflation, unemployment, and the Phillips curve; economic stabilization policies; growth theory, new Keynesian economic theory; the real business cycle theory; applications of Macroeconomic theory to analyze economic situations.

Prerequisites: a) EE211 and EE212 **or** b) EE213 and EE214

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.

Evaluation:

Group assignments	8	points	(max of 4; mixing across cohorts)
Quizzes	12	points	(7 quizzes; drop the lowest one)
Mid-term exam	35	points	
Final exam	45	points	
Total	**100**	points	

Mid-term exam date: Friday 4 October 2019
Time: 11.30 – 14.00 hrs

Final exam date: Monday 2 December 2019
Time: 13:30 - 16:30 hrs

No class on Aug, 16th 2019

Textbooks:

- Blanchard Olivier. Macroeconomics. Pearson Education, 2017 (B.)
- Froyen Richard. Macroeconomics: Theories and Policies. 10th edition. Pearson Education Limited, 2013. (F.)
- Williamson Stephen D. Williamson. Macroeconomics. 5th edition. Pearson Education Limited, 2017. (W.)

Supplement readings will be posted on the *BE moodle* and *Google classroom*.

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 sustenainable 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 analsyis 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.

Lecture outline:

Topics	Reading
1. Overview and introduction *(1 lectures)* *1.1)* Class overview: *logistic information* 1.2) Measuring macroeconomy: *Key macroeconomic variables* 1.3) The subject of macroeconomics: *what do we aim in this course?* 1.4) Two key issues in macroeconomics: *economic growth and business cycles* 1.5) Roadmaps: *where we are headed*	*W. Ch. 1 (F. Ch. 1-2) **Activities:** (online) Self-test evaluation
Part I Economic fluctuations and business cycles: Short-run analysis ***(9 lectures)***	
2. Measuring business cycles and business cycles model *(1 lectures)* 2.1) Measuring macroeconomic activities	W. Chapter 2 (*Self-study*)
2.2) Growth *and* Business cycles measurement 2.2.1) Nature of macroeconomic variables 2.2.2) Statistical decomposition: *Trend v.s. Cycles* 2.2.3) Phase of business cycles and some regularities 2.2.4) Cyclical (statistical) properties of macroeconomic variable *2.3)* Business cycles models 2.3.1) What do we aim to accomplish in business cycles studies? 2.3.2) Ingredients of business cycle models 2.3.3) Roadmaps	W. Chapter 3 **Activities:** Assignment 1
3. **Business cycle theory I: Keynesian IS-LM-AD-AS model** *(4 lectures)* 3.1) Keynesian paradigm to the macroeconomic fluctuations 3.2) Keynesian AD-AS model: *Building blocks and derivations* 3.1.1) Aggregate demand: *Keynesian DAE and IS-LM* 3.1.2) Aggregate supply: *firms, labour markets and aggregate supply* 3.2) Equilibrium analysis and shocks-propagating mechanism 3.2.1) Effects of demand shocks 3.2.2) Effects of supply shocks 3.3) Macroeconomic policies analysis: *fiscal and monetary policy* 3.3.1) Policy as a shock 3.3.2) Policy as a remedial to shocks 3.4) How well does the Keynesian AD-AS model fit the facts?	F. Ch. 5 – 8 **Activities:** 1. Assignment 2 2. Quiz 1 (15 minutes)

Topics	Reading
4) Business cycle theory II: Keynesian open economy *(4 lectures)*	
4.1) Keep tracking in the globally connected economy: *international accounts* 4.1.1) Current account 4.1.2) Capital account 4.1.3) Balance of payments account 4.2) Foreign exchange market 4.2.1) Exchange rate determination: *Long-run PPP approach* 4.2.2) Exchange rate determination: *Short-run approach* a) *Demand and Supply for foreign currency* *b) Equilibrium exchange rate and Balance of payments* 4.2.3) Exchange rate regimes a) *Flexible exchange rate* *b) Fixed exchange rate and Interventions* *c) Exchange rate policies and sterilizations*	F. Ch 14 **Activities:** 1. Assignment 3 2. Quiz 2 (15 minutes)
4.3) An open-economy macroeconomics model: *IS-LM-BP framework* 4.3.1) Open-economy IS curve 4.3.2) Open-economy LM curve 4.3.3) The balance of payment curve (BP curve) 4.4) Disequilibrium and adjustments towards equilibrium 4.4.1) Adjustments under flexible exchange rate 4.4.2) Adjustments under fixed exchange rate 4.5) Macroeconomic shocks and open-economy propagation mechanism 4.5.1) Origin of the fluctuations 4.5.2) Spill-over effect and international transmission of shocks 4.5.3) Equilibrium adjustment under different exchange rate regimes 4.5.4) The case of flexible exchange rate regime 4.6) Macroeconomic policies under a small opened economy 4.6.1) Macroeconomic imbalances and policy corrections 4.6.2) Issues on policy effectiveness 4.6.3) The impossibility trinity theorem 4.7) Asian financial crisis through the lenses of IS-LM-BP (*if time permits*)	F. Ch. 15 **Activities:** 1. Assignment 4 2. Quiz 3 (15 minutes)

Topics	Reading
Part II Economic fluctuations and business cycles: Medium-run analysis ***(3 lectures)***	
5) **Business cycles III: labour market and medium-run adjustment** *(1 lecture)* 5.1) Labour market dynamic *and* unemployment 5.2) Labour market frictions *and* its implication for business cycles 5.3) The natural level of economic activities and self-adjustment mechanism	B. Ch. 7
6) Business cycle IV: Inflation dynamic *(2 lectures)* 6.1) Some stylized facts on inflation dynamic (*behaviour*) 6.2) Theory of long-run theory of inflation 6.3) Business cycles perspectives of inflation 6.3.1) The Phillips curve and Keynesian's misinterpretation 6.3.2) Historical debates on inflation dynamic *a) Keynesian's misconception and the mutation of Phillips curve* *b) The Expectation-augmented Phillips curve and New Classical economics* c) *New Keynesian inflation dynamic*	B. Ch. 8 F. Ch 11 – Ch. 12
Mid-term exam date: Friday 4 October 2019 **Time: 11.30 – 14.00 hrs**	
Part III Economic fluctuations and business cycles: the micro-foundation approach ***(15 lectures)***	
7) **A Closed-Economy One-Period Macroeconomic Model** *(4 lectures)* 7.1) General equilibrium macroeconomy and Circular flow of macroeconomy 7.2) Optimizing-agent decision 7.2.1) Households *a) Preferences over consumption and leisure* *b) Choice set and constraint* *c) Work-leisure decision and labor supply* 7.2.2) Firms *a) Production and technology* b) *Profit maximization problem and labour demand*	W. Ch. 4 **Activities:** 1. Assignment 5 2. Quiz 4 (15 minutes)
7.3) Competitive equilibrium and Pareto optimality 7.3.1) Government and tax 7.3.2) Equilibrium 7.3.3) Pareto optimality 7.4) Model applications 7.4.1) Changes in government spending 7.4.2) Changes in total factor productivity 7.5) How well does the model fit the data?	W. Ch. 5 **Activities:** 1. Assignment 6 2. Quiz 5 (15 minutes)

Topics	Reading
8) **Two-Period model: the consumption-savings decision** *(3 lectures)* 8.1) Credit market and allocation over time 8.2) Preference over life-time consumption 8.2.1) Intertemporal life-time consumption problem 8.2.2) Behaviour of current consumption and its determinants *a) Effect of interest rate on consumption and saving behaviour* *b) Effect of permanent and temporary increases in income* 8.3) Government sector and competitive equilibrium 8.4) The Ricardian equivalence theorem	W. Ch. 9 **Activities:** 1. Assignment 7 2. Quiz 6 (15 minutes)
9) A Real Intertemporal Model with Investment *(4 lectures)* 9.1) Circular flow of a production economy over time 9.2) Optimizing-agent decision under intertemporal environment 9.2.1) Consumer's problem *a) Current labour supply* *b) Demand for consumption goods* 9.2.2) Consumer's problem *a) Current labour demand* *b) Investment decision* 9.3) Competitive equilibrium 9.4) Model applications 9.4.1) Changes in government spending 9.4.2) Change in capital stock 9.4.3) Change in total factor productivity	W. Ch.11 **Activities** 1. Assignment 8 2. Quiz 7 (15 minutes)
Part IV The long-run economy ***(4 lectures)***	
10) Long-term Economic Growth *(4 lectures)* 7.1 Long-term growth stylized-facts 7.2 Solow growth model 7.3 Growth accounting 7.4 Income disparity among countries	W. Ch.7
7.5 Endogenous growth model 7.6 Development policies	W. Ch.8
Final exam date: Monday 2 December 2019 **Time: 13:30 - 16:30 hrs**	

Important dates:

- **Mid-Term Examination:** **(Friday, October 4, 2019, 11.30 – 14.00 hrs.)**
- **Final Examination:** **(Monday, December 2, 2019, 13.30 – 16.30 hrs.)**

No class on Aug, 16th 2019

ACADEMIC CALENDAR SEMESTER 1/2019

Event	Semester 1 (August - December 2019)
Pre-Registration period (BE Portal)	July 8 - 10, 2019
Course Registration (Reg TU)	July 23 - 26, 2019
Payment	July 23 - 29, 2019
Classes Begin	August 13, 2019
Adding and Dropping Courses W/O Record	August 13 - 26, 2019
Payment	August 13 - 27, 2019
Mid-term Examination Period	September 30 - October 5, 2019
*His Majesty the late King Bhumibol Adulyadej Memorial Day**	*October 13, 2019*
*Substitution for His Majesty the late King Bhumibol Adulyadej Memorial Day**	*October 14, 2019*
Course Withdrawal With "W"	October 16 - 21, 2019
*King Chulalongkorn Memorial Day**	*October 23, 2019*
Last Day of Classes	December 1, 2019
Final Examination Period	December 2-4, 6-9,11-16, 2019
*The birthday of His Majesty the late King Bhumibol Adulyadej**	*December 5, 2019*
*Constitution Day**	*December 10, 2019*

Remark:

* Holiday, No classes during this period