



B.E. International Program

Faculty of Economics, Thammasat University



Course Syllabus

EE 312 MACROECONOMIC THEORY (Sect 046401)

Semester 2/2018 (January 14 – May 12, 2019)

Number of credits: 3 credits (3-0-6)

Lecture Time: Wednesday and Friday, 11.00 – 13.00 hours

Lecture Venue: Room 302, Faculty of Economics building

Instructor: Dr. Kittichai Saelee

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Email: kittichai_lee@econ.tu.ac.th

Office hours: Friday, between 14.30 – 16.00.* or by appointments

*Students are required to book an appointment via my Google calendar. The link is as follow, <https://goo.gl/fgydUR>. To access the link, student must sign up using the Gmail account provided by the faculty of economics. To acquire and activate your account, please log- on to <http://www.checkmail.econ.tu.ac.th/>

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:

Assignments	10	points
Quiz	10	points
Mid-term exam	40	points
Final exam	40	points
Total	<u>100</u>	points

Mid-term exam date: ~~Wednesday, March 6, 2019~~
Time: ~~12.00 - 14.00 hrs~~

(Corrected) Mid-term exam date: **Saturday, March 9, 2019**
Time: **13.00 - 16.00 hrs**

Final exam date: **Tuesday, May 21, 2019**
Time: **13:30 - 16:30 hrs**

Textbooks:

- Blanchard Olivier. Macroeconomics. Pearson Education, 2017 (B.)
- Froyen Richard. Macroeconomics: Theories and Policies. 10th edition. Pearson Education Limited, 2013. (F.)
- Mankiw Gregory Macroeconomics. Worth publisher, 2016 (M)
- Williamson Stephen D. Williamson. Macroeconomics. 5th edition. Pearson Education Limited, 2017. (W.)

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.

Lecture Outline:

Topics	Reading
<i>Part I: Introduction and measuring macroeconomy (6 hours)</i>	
1. Overview and introduction (2 hours) 1.1. Class logistic information 1.2. The subject of macroeconomics: what we aim in this course? 1.3. Issues in macroeconomics: economic growth <i>and</i> business cycles 1.4. Where we are headed 1.5. Approach to macroeconomic studies	*W. Ch. 1-3 (F. Ch. 1-2); M. Ch 10)
2. Measuring macroeconomy and business cycles (4 hours) 2.1 Why do we need macroeconomic data? 2.2 The Gross Domestic product 2.2.1 Aggregate quantity and GDP measurement 2.2.2 Nominal GDP, Real GDP and GDP deflator 2.2.3 Measuring real GDP: measurements and problems 2.3 Price index 2.3.1 Cost of living and Consumer price index 2.3.2 Consumer price index and GDP deflator 2.3.3 Problems in the measurement 2.3.4 Index theory 2.4 Unemployment and wage 2.4.1 Demographic structure and Population 2.4.2 Working age population and labour force 2.4.3 Measuring unemployment rate and Wage 2.5 Key financial variables 2.5.1 Interest rates 2.5.2 Exchange rates 2.5.3 Asset prices and returns 2.6 Growth and Business cycles measurement 2.6.1 Trend v.s. Cycles 2.6.2 Business cycles regularities 2.6.3 Characterizing the cyclical properties of key macroeconomic variables. 2.6.4 What do we aim to accomplish in business cycles studies?	*W. Ch. 1-3 (F. Ch. 1-2); M. Ch 10) Activities: - Self-test evaluation - Assignment 1
<i>Part II Business cycles and Economics fluctuations: short-term analysis (12 hours)</i>	
3. A closed-economy macroeconomic model: Keynesian IS-LM-AD-AS model (4 hours) 3.1. Introduction to economic fluctuations	*F. Ch. 5 – 8 (M. Ch 10 – 12)

Topics	Reading
3.2. Keynesian paradigm to the determination of macroeconomic equilibrium and fluctuations 3.3. Keynesian AD-AS model 3.2.1 IS-LM model and aggregate demand curve 3.2.2 Labour market activities and (<i>Ad-hoc</i>) aggregate supply 3.4. Equilibrium analysis 3.3.1 Demand and supply shock 3.3.2 Shock and propagation mechanism 3.5. Fiscal and monetary policy analysis 3.6. How does the Keynesian AD-AS model fit the facts?	Activities: Assignment 2 / Quiz 1 (Topic 2)
4. Open economy macroeconomics (8 hours) 4.1. Globally connected economy 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: <i>Long-run PPP approach</i> 4.2.2 Exchange rate determination: <i>Short-run approach</i> 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 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. Equilibrium analysis and disequilibrium adjustments 4.4.1 Disequilibrium adjustments under flexible exchange rate 4.4.2 Disequilibrium adjustments under fixed exchange rate 4.5. Macroeconomic shock and propagation mechanism 4.5.1 Origin of the fluctuations 4.5.2 Equilibrium adjustment under different exchange rate regimes 4.5.3 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 Policy effectiveness 4.6.3 The Impossibility trinity theorem	*F. Ch. 14 – Ch. 15 (B. Ch 17 – 20) ; M.Ch 13) Activities: Assignment 3 / Quiz 2 (Topic 3) Assignment 4 / Quiz 3 (Topic 4.1 – 4.2)

Topics	Reading
4.7 International financial crisis through the lenses of IS-LM-BP	
Part III <i>Business cycles and Economics fluctuations: Medium-term analysis (10 hours)</i>	
<p>5. Labor market, aggregate supply and Natural rate of unemployment (4 hours)</p> <p>5.1 Business cycle facts <i>and</i> medium-term adjustment</p> <p>5.2 Foundation of aggregate supply</p> <p> 5.2.1 Labour market structure <i>and</i> modelling approaches</p> <p> 5.2.2 Long-run aggregate supply curve</p> <p> 5.2.3 Short-run aggregate supply curve <i>and</i> Institutional aspects</p> <p>5.3 The Natural rate of unemployment <i>and</i> potential output</p>	<p>B. Ch. 7 M. Ch 14</p> <p>Activities: Assignment 5 / Quiz 4 (Topic 4.3 onwards)</p>
<p>6. Phillips curve, inflation and output dynamic, and Medium-run adjustment (6 hours)</p> <p>6.1 Phillips relation and History of Phillips curve</p> <p>6.2 Keynesian interpretation</p> <p> 6.2.1 Trade-off and exploitation</p> <p> 6.2.2 Policy implications</p> <p>6.3 Monetarist-based and New Classical interpretation</p> <p> 6.3.1 The mutation of Phillips curve: Critique to the Keynesian</p> <p> 6.3.2 Expectation-based Philips curve and derivation</p> <p> 6.3.3 Inflation expectation, Self-adjustment mechanism and Long-run Philips curve</p> <p> 6.3.4 Policy implications</p> <p>6.4) New-Keynesian based interpretation</p> <p> 6.4.1 Critique to the New Classical Phillips curve</p> <p> 6.4.2 Theory of gradual adjustment</p> <p> a) Nominal and real frictions</p> <p> b) Labor market imperfection</p> <p> c) Coordination problem</p>	<p>*B. Ch 8 – Ch. 9</p> <p>*M. Ch 14</p> <p>*F. Ch 10 – Ch. 12</p>
<p>Mid term exam date: Wednesday 3 March 2019</p> <p>Time: 12.00 – 14.00 hrs</p> <p>Mid-term exam date: Saturday 6 March 2019</p> <p>Time: 13.00 – 16.00 hrs</p> <p>14 Lectures = 28 hours</p>	

Topics	Reading
Topics	Reading
Part III Micro-founded macroeconomic approach (24 hours)	
7. A Closed-Economy One-Period Macroeconomic Model (8 hours) 7.1. Circular flow of macroeconomy and General equilibrium 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 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. 4. – Ch. 5 Activities: Assignment 6
8. Two-Period Model: the Consumption-Savings Decision (6 hours) 8.1. Credit market and allocation over time 8.2. Preference over life-time consumption 9.3.1 Intertemporal life-time consumption problem 9.3.2 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. 9.3.3 Empirical studies on consumption 8.3. Government sector and competitive equilibrium 8.4. The Ricardian Equivalence Theorem	W, Ch. 10. Activities: Assignment 7 / Quiz 5 (Topic 7)
9. A Real Intertemporal Model with Investment (8 hours) 9.1 Circular flow of a production economy over time	W, Ch. 11.


Topics	Reading
<ul style="list-style-type: none"> 9.2 Optimizing-agent decision under intertemporal environment <ul style="list-style-type: none"> 9.2.1 Consumer's problem <ul style="list-style-type: none"> a) Current labour supply b) Demand for consumption goods 9.2.2 Consumer's problem <ul style="list-style-type: none"> a) Current labour demand b) Investment decision 9.3 Competitive equilibrium 9.4 Model applications <ul style="list-style-type: none"> 9.4.1 Changes in government spending 9.4.2 Change in capital stock 9.4.3 Change in total factor productivity 	<p>Activities</p> <p>Assignment 8 / Quiz 6 (Topic 8)</p>
<i>Part IV Long-term economic growth (8 hours)</i>	
<p>10. Long-term Economic Growth (8 hours)</p> <ul style="list-style-type: none"> 10.1 Long-term growth stylized-facts 10.2 Solow growth model 10.3 Growth accounting 10.4 Income disparity among countries 10.5 Endogenous growth model 10.6 Development policies 	<p>W, Ch.7, 8.</p> <p>Activities: Assignment 9</p>
<p>Final exam date: Tuesday, May 21, 2019</p> <p>Time: 13:30 - 16:30 hrs</p> <p>16 lectures (32 hours)</p>	

Important dates:

~~Mid-Term Examination: (Wednesday, March 6, 2019, 12.00 - 14.00 hrs.)~~

Mid-Term Examination: (Saturday, March 9, 2019, 12.00 - 14.00 hrs.)

Final Examination: (Tuesday, May 21, 2019, 13.30 - 16.30 hrs.)



ACADEMIC CALENDAR SEMESTER 2/2018

Event	Semester 2 (January - June 2019)
Pre-Registration period (BE Portal)	October 29 - November 1, 2018
Course Registration (Reg TU)	November 20 - 23, 2018
Payment	November 20 - 26, 2018
Classes Begin	January 14, 2019
Adding and Dropping Courses W/O Record	January 14 - 28, 2019
Payment	January 14 - 29, 2019
<i>Makha Bucha Day*</i>	<i>February 19, 2019</i>
Mid-term Examination Period	March 4 - 9, 2019
Course Withdrawal With "W"	March 20 - 25, 2019
<i>Chakri Memorial Day*</i>	<i>April 6, 2019</i>
<i>Substitution for Chakri Memorial Day*</i>	<i>April 8, 2019</i>
<i>Songkran Festival Day*</i>	<i>April 12 - 18, 2019</i>
Last Day of Classes	May 12, 2019
Final Examination Period	May 13 - 17, 21 - 30, 2019

Remark:
*** Holiday, No classes during this period**