



APPLIES TO ACADEMIC YEAR 2007/2008

GRA 6634 Business Cycles

Program

Master of Science in Business and Economics, Master of Science in Business and Economics (Economics), Master of Science in Financial Economics, Master of Science in Political Economy, Specialization Course

Responsible for the course

Kai Leitemo

Department

Economics

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Business cycles refer to swings in aggregate economic activity. Booms are times of high activity, while busts are times of low economic activity. These swings have great impact on sales, employment, profit and investments. To stabilize the business cycles is an important objective of economic policymaking. A greater understanding of the sources behind the cycles may lead you to be better prepared for them as a business man or woman, and thereby be able to minimize the harmful effects.

Objective

The main goal is to give course participants a deeper theoretical and empirical understanding of the nature of business cycles in industrialized countries. Another goal is to introduce the participants to empirical methods designed to measure trends, cyclical movements and co-movements in macroeconomic data.

Prerequisites

Bachelor's degree in Business or eq, with SØK 2300 or a similar intermediate undergraduate macroeconomic course.

Compulsory literature

Books:

Birch Sørensen, Peter and Hans Jørgen Whitta-Jacobsen. 2005. Introducing advanced macroeconomics : growth and business cycles. Maidenhead: McGraw-Hill
Peter Birch Sørensen and Hans Jørgen Whitta-Jacobsen. Introducing Advanced Macroeconomics: Growth & Business Cycles. Newest edition. McGraw-Hill. Chapters 1, 14-20, 23-25.

Other:

Kai Leitemo. Articles supplementing the book may be distributed

Recommended literature

Course outline

Business cycles (macroeconomic fluctuations) refer to booms and recessions in aggregate economic activity . In some periods, economic growth is fairly smooth, but business cycles triggered by macroeconomic shocks have always returned, despite serious attempts by governments and central banks to stabilise the macroeconomy. Most firms are affected by business cycles. Typically, many firms expand sales and increase profits in booms, while recessions trigger losses and increase the rate of bankruptcy. Business cycles therefore involve substantial macroeconomic risks for many business firms, households, banks and other financial institutions. Particular attention will be paid to how firms and households make investment and consumption decisions. Theories explaining business cycles as the combined

result of unpredictable shocks and the behaviour of households, business firms, financial institutions and governments/central banks will be presented along with the empirical evidence. We will also address measurement issues and demonstrate empirical methods of measuring trends, cyclical movements and co-movements in macroeconomic data.

An outline of the course:

Part I: Introduction to macroeconomics. Long run versus the short run. Stylized facts about the business cycles. (IAM, Chapter 1 and 14)

Part II: Modern consumption and investment theories. Aggregate demand and aggregate supply. (IAM, Chapters 15-18)

Part III: The theories at work: explaining business cycles. Stochastics. Stabilization policy. (IAM, Chapters 19-20)

Part IV: Extensions to the open economy. Role of the exchange rate. Choice of policy regimes. (IAM, Chapters 23-26)

Computer-based tools

Blackboard/homepage

Course structure

36 hours of lectures.

Specific Information regarding student evaluation will be provided in class. Please note that while attendance is not compulsory in all courses, it is the student's responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book.

Evaluation

Written mid-term exam (1 hour, 20%) and final written exam (3 hours, 80%).

Evaluation code(s)

GRA 66341 accounts for 100 % of the final grade in the course GRA 6634.

Aids at the examination

Bilingual dictionary.

Support materials at written examinations are explained under exam information in our web-based student handbook. Please note use of calculator. <http://www.bi.no/studenthandbook>

Makeup exam

Re-takes are only possible at the next time a course will be held. When course evaluation consists of class participation or process elements, the whole course must be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee.

Honor Code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academy integrity. If you have any questions about your responsibilities under the honor code, please ask.