



APPLIES TO ACADEMIC YEAR 2007/2008

GRA 6639 Topics in Macroeconomics

Program

Advanced Specialization Course (MSc), Master of Science in Business and Economics, Master of Science in Business and Economics (Economics)

Responsible for the course

Hilde C Bjørnland

Department

Economics

Term

According to study plan

ECTS Credits

6

Language of instruction

English

This course is a graduate level course in macroeconomics, allowing theory to meet data. To that end, the approach adopted emphasizes the dynamic dimension of interesting macroeconomic problems.

Objective

The aim of this course is to expose the students to current macroeconomic theories and their implications for understanding key macroeconomic issues. This course is organized in a sequence of topics, where we address each topic in detail using both theory and econometric tools. The empirical relevance of the different theories will be critically assessed. The course focuses on the open economy and economic fluctuations, covering topics such as (i) the stylized facts of business cycles and the role of financial variables as leading indicators, (ii) monetary policy and the stabilization of business cycles, (iii) The interdependence between monetary policy and asset prices and (iv) the role of the exchange rate as a transmission of shocks in the macroeconomy.

Prerequisites

GRA 6634 Business Cycles (or a similar graduate introduction to macroeconomics.)

Compulsory literature

Articles:

Bjørnland, H.C. (2007), "Monetary Policy and Exchange Rate Interactions in a Small Open Economy," (forthcoming) *Scandinavian Journal of Economics*.

Chari, V.V., P.J. Kehoe and E. R. McGrattan, (2006), "Business Cycle Accounting", Federal Reserve Bank of Minneapolis Research Department Staff Report 328, (forthcoming in *Econometrica*).

Christiano, L., M. Eichenbaum, and C. Evans, 1999, "Monetary policy shocks: what have we learned and to what end?," in John B. Taylor, and Michael Woodford (ed.), *Handbook of Macroeconomics*, Elsevier, Amsterdam.

Gali, J. (2004) "On the role of technology shocks as a source of business cycles: Some new evidence". *Journal of European Economic Association* 2 (2-3), 372-380.

Kydland, F. E. og E. C. Prescott (1990): "Business cycles: Real facts and a monetary myth", *Federal Reserve Bank of Minneapolis Quarterly Review*, Spring 1990: 3-18

Other:

Hilde C. Bjørnland. A number of articles relevant for the topics will be distributed

Recommended literature

Books:

Romer, David. 2006. *Advanced Macroeconomics*. 3rd ed. Boston, Mass. : McGraw-Hill/Irwin

Articles:

Bjørnland, H.C. and K. Leitemo (2004), "Identifying the Interdependence between US Monetary Policy and the Stock Market," Manuscript, University of Oslo.
Bjørnland, H.C., Brubakk, L. and A. S. Jore (2006) "Forecasting inflation with an uncertain output gap" Working Paper 2006/02, Norges Bank, (forthcoming) Empirical Economics.
Rogoff, K. (1996), "The Purchasing Power Parity Puzzle", Journal of Economic Literature, 34, 647-668.

Course outline

1. Stylized facts of business cycles
 - Measuring business cycles (trend - cycles)
 - Sources of business cycles and leading indicators
 - Discriminating between theories
2. Advanced theories of business cycles
 - Real Business Cycle models – or can economic fluctuations be explained by technology shocks?
 - Theories of nominal price rigidity – or are rigidities sufficient to explain economic fluctuations?
3. Monetary policy and business cycles
 - The role of monetary policy in stabilising business cycles - a story of success or failure?
 - Interaction between monetary policy and asset prices
 - Empirical investigations - Monetary policy in VAR models
- 4 The relationships between the exchange rate and the macroeconomy
 - Models of exchange rate determination
 - Purchasing parity and uncovered interest parity.
 - Monetary policy and exchange rates
 - Forecasting exchange rates - or can we beat a random walk?

Computer-based tools**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

Term paper and a three hour written exam. Groups of up to three students on the term paper. Both parts of the evaluation must be passed to obtain a course grade. The term paper counts for 40% of the grade and the exam counts for 60% of the final grade.

Evaluation code(s)

GRA66391 counts for 100% of the final grade

Aids at the examination

Bilingual dictionary
Advanced calculator

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.