



APPLIES TO ACADEMIC YEAR 2009/2010

GRA 6639 Topics in Macroeconomics

Programme

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

Responsible for the course

Department

Department of Economics

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

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.

Learning outcome

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 reading

Books:

Obstfeld, Maurice and Kenneth Rogoff. 1996. Foundations of international macroeconomics. Cambridge, Mass. : MIT Press. chapter 1.1-1.3 and chapter 2.1-2.3.

Articles:

Christiano, L., M. Eichenbaum and C. Evans. 1999. Monetary policy shocks: what have we learned and to what end?. I: Taylor, John B. and Michael Woodford, ed. Handbook of macroeconomics. Amsterdam: Elsevier

Gali, J. and P. Rabanal. 2004. Technology shocks and aggregate fluctuations : How well does the RBC model fit postwar U.S. data?. NBER working paper. 10636

Krueger, Dirk. 2007. "Quantitative Macroeconomics: An Introduction". (Lecture notes) chpt. 1-11.

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

Journals:

Bjørnland, H.C., Brubakk, L. and A.S. Jore (2008), "Forecasting inflation with an uncertain output gap", Empirical Economics, 35, 413-436

Clarida, R., Gali, J. og M. Gertler (1999): "The Science of Monetary Policy: A New Keynesian Perspective", Journal of Economic Literature, 37(4): p 1661-1707.

King, R.G. and S.T. Rebelo (2000): "Resuscitating Real Business Cycles", NBER Working Paper No. w7534.

Rogoff, K. (1996): "The Purchasing Power Parity Puzzle", Journal of Economic Literature, 34, 647-668.

Romer, C.R. (1999): "Changes in Business Cycles: Evidence and Explanations, Journal of Economic Perspectives, 13, 23-44.

Other:

During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

Recommended reading

Books:

Romer, David H. 2006. Advanced macroeconomics. 3rd ed. Boston, Mass. : McGraw-Hill/Irwin. chpt. 4, 6 and 10

Articles:

Husebø, T.A. and B.R. Wilhelmsen. 2005. Norwegian Business Cycles, 1982-2003. Norges Bank Staff Memo. 2

Journals:

Akram, Q. F. (2004): "Oil prices and exchange rates: Norwegian Evidence" *Econometrics Journal*, 2004, vol. 7, pp. 476-504.

Akram, Q.F. (2006). "PPP in the medium run: The case of Norway". *Journal of Macroeconomics*, 2006, vol. 28 (4), pp. 700-719.

Bjørnland, H. C. and H. Hungnes (2006), "The Importance of interest rates for forecasting the exchange rate," *Journal of Forecasting* 25, 209-221.

Bjørnland, H.C. and K. Leitemo (2009): "Identifying the Interdependence between US Monetary Policy and the Stock Market," *Forthcoming Journal of Monetary Economics*.

Kydland, F. E. og E. C. Prescott (1982): "Time to Build and Aggregate Fluctuations", *Econometrica*, 50, 1345-1370

Mankiw, N. G. (1989): "Real Business Cycles: A New Keynesian Perspective", *Journal of Economic Perspectives*, vol 3(3), pp. 79-90.

Plosser, C. (1989): "Understanding Real Business Cycles", *Journal of Economic Perspectives*, vol 3(3), pp. 51-77.

Course outline

1. Stylized facts of business cycles
 - Measuring business cycles (trend - cycles)
 - Sources of business cycles and leading indicators
 - Asset prices and bubbles
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
 - Interaction between monetary policy and asset prices
 - Empirical investigations
- 4 The relationships between the exchange rate and the macroeconomy
 - Models of exchange rate determination
 - Purchasing parity and uncovered interest parity.
 - Forecasting exchange rates - or can we beat a random walk?
5. Intertemporal approach to the current account
 - The role of global savings

Computer-based tools

Not applicable

Learning process and workload

36 hours of lectures.

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

Examination

Term paper (pass/fail), and 3 hours written exam. The term paper must be passed in order to sit the exam. This is a process evaluation during the course.

Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for termpapers or other hand-ins, and/or where class participation can be one for several elements of the overall evaluation.

Exam code(s)

GRA66391 counts for 100% of the final grade

Examination support materials

A bilingual dictionary and BI-approved exam calculator. Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary. <http://www.bi.edu/studenthandbook/examaids>

Re-sit examination

Re-takes are only possible at the next time a course will be held. When the course evaluation has a separate exam code for each part of the evaluation it is possible to retake parts of the evaluation. Otherwise, the whole course must be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee

Additional information

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 academic integrity. If you have any questions about your responsibilities under the honor code, please ask.