APPLIES TO ACADEMIC YEAR 2012/2013

GRA 6639 Topics in Macroeconomics

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

Responsible for the course
Hilde C Bjørnland

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 methods. 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 different shocks in the cycle, (ii) advanced theories of the business cycles (quantitative macroeconomics) (iii) the role of financial variables, monetary policy and the business cycle, (iv) savings and the intertemporal approach to the current account, and (v) 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. MIT Press. chapter 1.1-1.3 and chapter 2.1-2.3. Will be included in a compendium

Articles:
Bjørnland, Hilde C. A number of articles relevant for the topics will be distributed
Bjørnland, Hilde C. (2000). "Detrending Methods and Stylized Facts of Business Cycles in Norway - An international comparison".. Empirical Economics. 25. 369-392
Bjørnland, H.C. and K. Leitemo. 2009. "Identifying the Interdependence between US Monetary Policy and the Stock Market". Journal of Monetary Economics. 56. 275–282
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
Poterba, J.M. 2000. Stock market wealth and consumption. Journal of Economic Perspectives. 14. p. 99-118

Journals:
Case, Karl E., Quigley, John M. and Robert Shiller (2005), “Comparing Wealth Effects: The Stock Market versus the Housing Market”, Advances in Macroeconomics, 2005, vol. 5, issue 1, pages 1235-1235.
King, R.G. and S.T. Rebelo (2000): “Resuscitating Real Business Cycles”, NBER Working Paper No. w7534.

Other:

Bernanke, Ben S. (Speech March 10, 2005): The Global Saving Glut and the U.S. Current Account Deficit. http://www.federalreserve.gov/boarddocs/speeches/2005/200503102/
During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.
Krueger, Dirk. 2007. Quantitative macroeconomics : an introduction. (Lecture notes) chpt. 1-11.. Gratis tilgjengelig: http://www.e-booksdirectory.com/details.php?ebook=2831

Recommended reading
Books:
Romer, David H. 2012. Advanced macroeconomics. 4th ed. McGraw-Hill/Irwin. chpt. 4, 6 and 10

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

Journals:
Bjørnland, H.C. (2009) "Monetary policy and exchange rate overshooting: Dornbusch was right after all". Forthcoming in Journal of International Economics.
http://www.norges-bank.no/upload/english/publications/working%20papers/2009/norges_bank_working_paper_2009_9.pdf
Bjørnland, H.C., Brubakk, L. and Jore, A. S.. (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.
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.
Romer, C.R. (1999): "Changes in Business Cycles: Evidence and Explanations, Journal of Economic Perspectives, 13, 23-44.

Other:
Bernanke, Ben S. (2002): Remarks by Governor Ben S. Bernanke Before the New York Chapter of the National Association for Business Economics, New York, October 15, 2002: Asset-Price "Bubbles" and Monetary Policy.
http://www.federalreserve.gov/BoardDocs/Speeches/2002/20021015/default.htm

Course outline
1. Stylized facts of business cycles
- Measuring business cycles (trend - cycles)
- The role of leading indicators
- Sources of business cycles, a story of different shocks

2. Advanced theories of business cycles (quantitative macroeconomics)
- 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. Financial markets, monetary policy and the business cycle
- Financial markets, wealth effect and consumption
- Financial crisis - a story of boom-bust cycles (Case: The great depression versus the recent financial crisis)
- Interaction between monetary policy and asset prices. Empirical investigations

4. Savings and the current account
- The intertemporal approach to the current account
- The global saving glut and the US current account deficit

5.The exchange rate and the macroeconomy
- The role of the exchange rate as a transmission of shocks in the macroeconomy.
- Purchasing power parity and uncovered interest parity.
- Forecasting exchange rates - or can we beet a random walk?

Computer-based tools
It's learning

Learning process and workload

A course of 6 ECTS credits corresponds to a workload of 160-180 hours.

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/It's learning or text book.

Examination

Term paper (pass/fail). Individually or in groups of up to three students on the termpaper.

A three hour final written exam.

All parts of the evaluation need to be passed in order to get a grade in 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 of several elements of the overall evaluation.

Examination code(s)

GRA 66392 (termpaper) graded pass/fail.
GRA 66393 (three hour written exam)

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

It is only possible to retake an examination when the course is next taught.
The assessment in some courses is based on more than one exam code.
Where this is the case, you may retake only the assessed components of one of these exam codes.
Where this is not the case, all of the assessed components of the course must be retaken.
All retaken examinations will incur an additional 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.