



APPLIES TO ACADEMIC YEAR 2015/2016

GRA 6639 Business Cycles

Programme

Master of Science in Business, Master of Science in Business (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. A special focus is on economic fluctuations and policies. 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 economic fluctuations in open economies, 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) commodities and macroeconomics, (V) the role of fiscal policy to stabilize the business cycles.

Prerequisites

GRA 6634 Advanced Macroeconomics or equivalent

All courses in the Masters programme will assume that students have fulfilled the admission requirements for the programme. In addition, courses in second, third and/or fourth semester can have specific prerequisites and will assume that students have followed normal study progression. For double degree and exchange students, please note that equivalent courses are accepted.

Compulsory reading

Books:

Krueger, Dirk. 2007. Quantitative macroeconomics : an introduction. (Lecture notes) chpt. 1-11.. Gratis tilgjengelig: <http://www.e-booksdirectory.com/details.php?ebook=2831>

Articles:

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(3). 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(2). 275-282

Christiano, Lawrence, Martin Eichenbaum, and Sergio Rebelo. 2011. When is the Government Spending Multiplier Large?. *Journal of Political Economy*. 119 (1)

Galí, Jordi and Pau Rabanal. 2004. Technology shocks and aggregate fluctuations : how well does the RBC model fit postwar U.S. data?. National Bureau of Economic Research. NBER working paper 10636

Galí, Jordi, David López-Salido and Javier Vallés. 2007. Understanding the Effects of Government Spending on Consumption". *Journal of the European Economic Association*. 5 (1). s. 227-270

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

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. 2012. Advanced macroeconomics. 4th ed. McGraw-Hill/Irwin. chpt. 5

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

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.

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. Commodities and macroeconomics

- The role of oil price shocks for oil importing and exporting countries
- Optimal policy for resource rich economies

5. The role of fiscal policy to stabilize the business cycle

- Government spending and fiscal multipliers
- Fiscal spending rules

Computer-based tools

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

A group project/presentation with 3-4 students in each group and written final exam (3 hours)

Form of assessment	Weight	Group size
Presentation	20%	
Written examination 3 hours	80%	Individual

Specific information regarding student assessment will be provided in class. This information may be relevant to requirements for term papers or other hand-ins, and/or where class participation can be one of several components of the overall assessment. This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded using points on a scale from 0-100. The final grade for the course is based on the aggregated mark of the course components. Each component is weighted as detailed in the course description. Students who fail to participate in one/some/all exam components will get a lower grade or may fail the course. You will find detailed information about the points system and the mapping scale in the student portal @bi.

Examination code(s)

GRA 66394 continuous assessment accounts for 100 % of the final grade in the course GRA 6639.

Examination support materials

BI approved exam calculator

Bilingual dictionary

Permitted examination support materials for written examinations are detailed under examination information in the student portal @bi. The section on support materials and the use of calculators and dictionaries should be paid special attention to.

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. All retaken examinations will incur an additional fee. Please note that you need to retake the latest version of the course with updated course literature and assessment. Please make sure that you have familiarised yourself with the latest course description.

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.