

Queen Mary, University of London
ECN 346 Business Cycles
2011/2012

Lecturer: Dr. **Ana Galvao** Ferreira (a.ferreira@qmul.ac.uk).

Office Hours: Tuesday, 11-12; Friday: 11-12. Office: Queens W315.

Lectures on Wednesday 11-1 p.m, Arts 128.

Classes: Tuesday 2-4p.m. (2 groups).

Aim:

The course aims at evaluating how business cycle theories perform when confronted with business cycles stylised facts. The theories are presented based on a micro-founded macroeconomic dynamic model that provides understanding on how different types of shocks cause macroeconomic fluctuations. Both Classical and New Keynesian Theories of Business Cycles are evaluated.

Learning Outcomes:

On the successful completion of the course you should:

1. be familiar with the behaviour of macroeconomic series over the business cycles;
2. understand the micro-foundations of a typical general equilibrium macroeconomic model;
3. compare Classical and New Keynesian Theories of business cycles;
4. evaluate business cycle theories by comparing their prediction with business cycle stylized facts.

Outline of Topics:

Measurement of Business Cycle. Static General Equilibrium Macroeconomic Model. Dynamic Macroeconomic Model. Monetary Dynamic Model. Market-Clearing Theories of Business Cycles. Keynesian Sticky-Wage Model. New Keynesian Model of Business Cycle. Confronting Theories with data.

Course Organization:

The course has 11 2-hour lectures and 10 one-hour classes. Classes are compulsory and are essential for learning. Lectures' slides and problem sets will be available on *Blackboard* every Tuesday afternoon, so you can bring the printed slides for the lecture to write your notes on them.

Assessment:

75% of the final mark for the course is the mark of the two-hour exam in the end of the year. 25% of the overall mark is the average of the mark of two tests held during the lectures of weeks 8 and 12.

Reading List:

The course main text-book is:

(**W**) Macroeconomics by Stephen D. Williamson (*4. Ed.*, Pearson-Addison-Wesley, 2008).

Lectures 9 and 10 will develop the content of:

(**GG**) Gali, J. and Gertler, M. (2007) Macroeconomic Modelling for Monetary policy. *Journal of Economic Perspectives*. V. 21 Fall, p. 25-45.

For lecture 10, you can also read:

(**M**) Macroeconomics by Gregory Mankiw. 7th ed.(2010). ch. 14 (only available in the new edition (7th)).

And an additional reading:

(**P**) Prescott, E. (2004) The transformation of macroeconomic policy and research. 2004 Nobel Prize Lecture. Available at http://nobelprize.org/nobel_prizes/economics/laureates/2004/prescott-lecture.html

Lectures:

Week	Lect. Date		Readings
1	11/01	1 - Business Cycles: Definitions, Measurement and Stylized Facts	W, ch. 3; P.
2	18/01	2 - A Static (one-period) Macroeconomic Model and the decisions of the consumers, firms and government.	W, ch. 4, 5.
3	25/01	3 - A Dynamic (two-period) Macroeconomic Model: the intertemporal decision of consumers.	W, ch. 8.
4	01/02	4 - A Dynamic Macroeconomic Model with investment: the Real Intertemporal Model	W, ch. 10
5	08/02	5 - The impact of credit imperfections and shocks in the Real Intertemporal Model.	W, ch. 9 and 10
6	15/02	6 - A Monetary Intertemporal Model	W, ch. 11
7	Reading Week		
8	29/02	7 - Mid-Term Test (60 min);	Lects: 1 – 6;
6	07/03	8 - Market-Clearing Models: the Real Business Cycle Model, the Segmented Market Model and the Coordination Failure Model.	W, ch. 12
10	14/03	9 - A New Keynesian Model: Micro-foundations of IS, PC and TR curves. The AD/AS curves.	GG; Lect. Notes.
11	21/03	10- A New Keynesian Model: the effect of shocks (technology and demand shocks) and implications for the Business Cycles.	GG; Lect. Notes.
12	28/03	11 – End-of-term Test (60 min); Confronting Business Cycle Theories with Data/Revision.	Lects: 8-10; Lecture Notes.

Classes:

Week	Date		Content based on:
1	10/01	No classes.	
2	17/01	Exercise Sheet 1.	Lect 1
3	24/01	Exercise Sheet 2.	Lect 2
4	31/01	Exercise Sheet 3.	Lect 3
5	07/02	Exercise Sheet 4.	Lect 4
6	14/02	Exercise Sheet 5.	Lect 5
7	Reading Week		
8	28/02	Exercise sheet 6 (checking answers).	Lect 6.
9	06/03	Answers/Feedback on mid-term test.	
10	13/03	Exercise Sheet 7.	Lect 8
11	20/03	Exercise Sheet 8.	Lect 9
12	27/03	Exercise Sheet 9 (checking answers).	Lect 10.