

DRE7011 - Mini PhD course in Oil Markets and the Macro Economy, May 26-28, Oslo, Norway

By Hilde C. Bjørnland (BI) and Ragnar Torvik (NTNU)

Guest lecturer (28 May): Drago Bergholt (Norges Bank)

Time: 26-28 May 2015. 09:00-14:00, Room A2-035 BI Norwegian Business School

The course will cover advanced research in oil market models and discuss links between oil

and monetary policy, including

- A Structural Model of the Global Market for Crude Oil
- What drives oil prices, demand or supply?
- Are Macroeconomic Responses Asymmetric in Oil Price Increases and Decreases?
- Monetary Policy Responses to Oil Price Fluctuations

Day 2: Wednesday 27 May 09:00-14:00 (Ragnar Torvik)

The resource curse literature claims that resource abundance may reduce economic growth, and also make the economy «oil dependent». Several theoretical foundations have been developed to explain why this may (or may not) be the case. The main focus in the lectures is put on the Dutch Disease part of the literature, although we will also discuss theories of rent-seeking and theories of how resource abundance shapes political incentives. Towards the end of the lectures we will discuss remaining research challenges in these fields.

Day 3: Thursday 28 May 09:00-14:00 (Hilde C. Bjørnland and Drago Bergholt)

In the final part we analyse if resource rich countries enjoy positive spillovers from the petroleum sector, or, if there is evidence of oil dependence and eventually Dutch disease. Optimal policy will be discussed in details. Topics to be covered:

- Empirical evidence (or lack of evidence) of Dutch disease
- Spillovers of oil and gas in resource rich economies
- Monetary Policy in resource rich economies

Day 2: Dutch disease and windfall gains - theory (Ragnar Torvik)

- Corden, W. M. and J. P. Neary (1982). Booming sector and de-industrialisation in a small open economy. *The Economic Journal* 92 (368), 825-848.
- Krugman, P. (1987). The narrow moving band, the Dutch disease, and the competitive consequences of Mrs. Thatcher: Notes on trade in the presence of dynamic scale economies. *Journal of development Economics* 27 (1), 41-55.
- Torvik R.. (2001). Learning by doing and the Dutch disease. *European Economic Review*. 45. 285-306
- van Wijnbergen, S. (1984). The "Dutch Disease": a disease after all? *The Economic Journal* 94 (373), 41-55.

The lecture notes will cover details on additional papers and explain how to solve models describing dynamics for a resource rich economy

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5. Matlab session: Code for simulation/estimation of a simple DSGE model for commodity exporters.