

Guidelines for Final Exam (February 2, 2018)

The exam will last for two hours and will have two sections, which will carry equal weights:

1. The first section will feature a choice of different short questions where you are asked to briefly explain an important aspect of the course. You will be asked to answer 6 questions from a list of 10.
2. The second section will be a mixture of discussion questions and technical questions focused on models. You will be asked to answer 2 questions from a list of 4.

If you decide to answer more than the required number of questions, I will grade the best six from Section 1 and the best two from Section 2.

The potential questions from both sections will be given out over the term by regular updates of this handout.

Possible Short Questions for Section One (More to follow)

1. History shows it is possible to have monetary systems without the involvement of government. In practice, though, currencies are generally issued and controlled by governments. Discuss why this is the case.
2. What is a fiat currency system and how does it compare with non-fiat systems? Is it right to draw a sharp distinction between these two kinds of systems?
3. What is fractional-reserve banking and how does it work? Provide an example.
4. What does it mean when we say a bank has a solvency problem? How does it differ from a liquidity problem? How might the problems interact with each other? Provide examples.
5. How do central banks create money? Provide two examples.
6. What is described by a central bank's balance sheet? Should the public be concerned about a central bank's solvency?