

Guidelines for Final Exam for MA Advanced Macro (Final Version)

The final exam will count for 70% of your grade. It will have three sections:

1. The first section will count for 30% of the grade and will ask you to briefly explain some important topics of the course. You will be asked to pick 4 items to discuss from a list of 8.
2. The second section will count for 30% of the grade and will ask you to discuss papers covered in the course. There will be two sub-sections each listing three papers and you will be asked to discuss one from each of the sub-sections. The second sub-section will focus on material from the last few weeks of the course. The exact wording of this question will be “Select one of the following papers to discuss. Outline the contribution of the paper and comment on what you learned from reading it. Can you think of criticisms of the paper or perhaps areas where it could be extended or improved?”
3. The third section will count for 40% of the grade and will contain technically oriented questions that require you to solve problems or present derivations relating to models. There will be three multi-part questions and you will be asked to do two of them.

I will provide a list of potential topics for the first section of the exam as we go along. I will also provide a list of potential papers for the second section as we go along. Previous exams will provide a reasonable guideline as to what the questions in the final section will look like.

Potential Discussion Topics for Section One

1. Methods for de-trending macroeconomic data.
2. Shocks and propagation mechanisms
3. Recursive identification of VARs (Cholesky Decomposition)
4. Long-run restrictions
5. The Kalman filter
6. Solution methods for systems of equations in rational expectations models.
7. The Lucas critique
8. The real business cycle model

9. New-Keynesian and expectations-augmented Phillips curves
10. The natural rate of interest
11. The Taylor principle
12. Optimal monetary policy in the New Keynesian model.
13. Inflation persistence
14. Estimation methods for DSGE models
15. The Smets-Wouters model
16. Interest rate risk spreads and the financial accelerator.
17. Why bank runs lead to reductions in the supply of credit.
18. Capital adequacy regulations for banks
19. Macro-prudential regulation

Potential Papers for Discussion for Section Two, Part 1

- (a) Lutz Killian. "Not All Oil Price Shocks are Alike: Disentangling Demand and Supply Shocks in the Crude Oil Market"
- (b) Glenn Rudebusch. "Do Measures of Monetary Policy in a VAR Make Sense?"
- (c) Robert J. Gordon: "The History of the Phillips Curve: Consensus and Bifurcation"
- (d) Richard Clarida, Jordi Gali, and Mark Gertler. "The Science of Monetary Policy: A New Keynesian Perspective."
- (e) Frank Smets and Rafael Wouters. "Shocks and Frictions in US Business Cycles: A Bayesian DSGE Approach."

Potential Papers for Discussion for Section Two, Part 2

- (a) Joseph Stiglitz and Andrew Weiss. "Credit Rationing in Markets with Imperfect Information".
- (b) Andrew Haldane and Vasileios Madouros. "The Dog and the Frisbee".
- (c) Tobias Adrian and Hyun Song Shin. "Liquidity and Leverage."

- (d) Olivier Blanchard, Giovanni Dell’Ariccia, and Paolo Mauro: “Rethinking Macroeconomic Policy” and “Rethinking Macroeconomic Policy II: Getting Granular”
- (e) Ricardo Cabellero: Macroeconomics after the Crisis: Time to Deal with the Pretense-of-Knowledge Syndrome.

Potential Areas for Technical Questions in Section Three

1. Vector autoregressions
2. Kalman filter
3. Solving models with rational expectations
4. Deriving first-order conditions for the RBC model
5. Log-Linearisation and calculation of steady-states
6. The three-equation New Keynesian model.
7. How DSGE models are estimated
8. The Stiglitz-Weiss model of credit rationing