Guidelines for Final Exam for MA Macro (Final Edition)

The final exam will count for 70% of your grade. It will have two equally-weighted sections.

The first section will contain discussion questions:

- The topics in the section will be taken from throughout the course, i.e. both before and after the midterm exam.

- You will be asked to pick 6 questions to answer from a list of 10.

- I will provide a list of the potential questions that could be asked on the class website. This will build up as the term goes on via regular updates of this hand-out.

The second section will be similar in style to the midterm exam but will only ask questions about the material covered from topic 8 (Rational Expectations, Consumption and Asset Pricing) onwards.

There will be four multi-part questions and you will be asked to answer three of them. I will provide examples of potential questions for Section 2 in a separate handout.

Sample Discussion Questions for Section One

1. Explain why the IS curve slopes down and the LM curve slopes up.
2. Explain why the Aggregate Demand curve slopes down.
3. Explain the role played by price and wage rigidity in generating the short-run effectiveness of fiscal and monetary policy in the AS-AD model.

4. Discuss the theory and evidence relating to the Phillips curve.

5. Explain the IS-MP curve including the factors that determine its slope and position.

6. How do the public's inflation expectations and the central bank's inflation target combine to influence actual inflation and output in the IS-MP-PC model?

7. Discuss the Taylor principle.

8. What is the liquidity trap? What policy measures can be taken to get out of it?

9. Discuss the arguments for and against having a “tough” central bank that raises interest rates aggressively when inflation increases and has a highly credible commitment to low inflation.

10. Robert Shiller argued that stock prices were too volatile to be characterised by rational expectations. What reasoning did he use?

11. Discuss the theory and evidence on predictability of stock prices.

12. What is the Lucas critique? Can you give an example of when it might apply?

13. Discuss the theory and evidence relating to Ricardian equivalence.

14. Discuss the circumstances under which greater uncertainty leads to consumers saving more i.e. precautionary savings.

15. Discuss the Consumption CAPM. How does it perform in predicting the average returns on various assets?

16. Discuss the empirical evidence on price stickiness.

17. What does the New Keynesian Phillips curve imply about econometric Phillips curves in which inflation is regressed on lags of itself as well as a measure of slack such as the unemployment rate?

18. What is growth accounting and how are growth accounting calculations done?

19. What does the Solow model tell us about the sources of long-run growth?

20. How does Paul Romer’s model explain improvements in Total Factor Productivity?

21. Discuss Robert Gordon’s paper on the history and future of technological innovation.

22. Discuss the leader-follower model of technological change.

23. Discuss the relationship between institutions and output per worker. How did Hall and Jones go about assessing this relationship?