

Review Seminar

Section A

- A.1 Suppose there was a decrease in the wealth of households due to a drop in house prices or the value of shares held. Explain the effect on intertemporal decisions about consumption, labour supply and investment. [cf Tripos 2003]
- A.2 Illustrate the effect of a tax-financed permanent expansion in government spending on output and on the real interest rate in the context of an intertemporal macroeconomic model, assuming labour income taxes and no investment. Explain intuitively and use graphs to illustrate your answer. [cf Tripos 2013]
- A.3 Suppose investors are concerned that the US government will temporarily default on its debt payments in three months due to a failure to agree on lifting the debt ceiling. Analyse the likely effect of this on the price and yield of US Treasury bills and bonds with a maturity of one month, three months and three years, and explain how it would affect the shape of the US yield curve. [Tripos 2014]
- A.4 Consider the Bernanke-Blinder model of monetary transmission. Show graphically and explain intuitively the effect on output when banks saddled with bad loans reduce the proportion of assets they allocate to lending. [cf Tripos 2006]
- A.5 Suppose the central bank suddenly announces that it will perform a large outright open market purchase six weeks from now. Using the asset market model and assuming prices remain sticky for three months, analyze how this affects the nominal exchange rate at (i) the time of announcement, and (ii) the time of implementation. [Tripos 2015]
- A.6 Suppose euro area banks are making unexpected early repayments of large three-year loans made by the European Central Bank during the sovereign debt crisis. Analyse the short-run effect of this on the money supply, nominal interest rate, nominal exchange rate and aggregate output in the euro area using the DD-AA model. [Tripos 2014]

Section C

- C.1 Explain Ricardian equivalence, and discuss what implication it might have on the efficacy of expansionary fiscal policy. [Tripos 2014]
- C.2 Labour productivity is ten times higher today than 100 years ago. Yet the unemployment rate is roughly the same. Discuss possible explanations. [Tripos 2014]
- C.3 The United States and Europe have had very different experiences in terms of unemployment during the past 40 years. Briefly describe three theories of hysteresis, and discuss how the idea of hysteresis may explain the diverging patterns observed in the labour markets. [Tripos 2012]
- C.4 In the Bank of England Act of 1998, the UK government formally delegated monetary policy to an independent Monetary Policy Committee. Why would the government want to restrict its policy options in this way? [Tripos 2015]
- C.5 On 22 January 2015, the European Central Bank (ECB) announced a program of large-scale asset purchases, while its main refinancing rate was virtually zero. Analyze how this is likely to affect bond yields, equity prices, bank lending and economic activity in the euro area. [Tripos 2015]
- C.6 In the aftermath of the financial crisis, several central banks in advanced economies have engaged in ‘quantitative easing’. This has led to the allegation of a ‘currency war’ that negatively affects other countries. Analyze whether ‘quantitative easing’ is likely to have a detrimental effect on economic activity in other countries and discuss how these countries could adjust their macroeconomic policy to counter any negative effects. [Tripos 2015]

Recommended strategy for section C:

1. Read the question carefully, take a few minutes to think of

- (a) useful theoretical concepts/models
- (b) relevant empirical evidence/examples

and organize your arguments into a coherent structure.

2. Develop the structure of your essay by working out each argument and make clear its relevance to the question.

Write legibly.

3. Finally, review your arguments and formulate a definite conclusion that directly addresses the question.