

Exam Advanced Macroeconomics I

Question 1: (6pts)

Optimal consumption decision with two types of people: rich and poor (credit-constrained) and the effect this has on the effect of an income splash through a tax cut at $t=1$ and a tax hike at $t=2$ and the effect it has on a permanent taxcut financed through cutting government spending.

Question 2: (3pts)

- a. Explain the role of microprudential policy has within the banking system/bank runs. (See last chapter on the financial crisis.)
- b. Name two types of bank runs (sunspots, ...) and explain why microprudential policy may not work and what types of policy may work better (halting convertability/deposit insurance)

Question 3: (5pts)

Question on AS-AD curves (equations were given with new parameters/coefficients but the usual variables) and the effect certain policies would have or what the optimal policy rule would be (e.g. derive optimal policy rule for the central bank given the Social Loss function and that $r=r^*$.)

Question 4: (6pt)

Question with IRF's from a random paper (not seen in class)

- a. Given the starting points of the IRF's what can you say about the type of shock. (And thus the assumptions on the C-matrix equating the structural and reduced-form shocks.)
- b. What kind of shock could this be? AS/AD, positive/negative? Explain.
- c. What are the four moments often used in macroeconomic modelling to compare models to the real data?
- d. Apply these 4 moments on the given IRF's and explain.

