

Final Comments

1 Exam

- 3 hours, 2 sections – Macro & Game Theory.
- Section A (Macro): 4 Questions, Attempt any 2.
- 3 subparts (a), (b), (c); sometimes sub-subparts!
- Manage time effectively: without even devoting time to reading the paper, the maximum times you should devote to questions based on marks (equivalent to percentages) are the following:

10% \implies 4.5 minutes.	30% \implies 13.5 minutes.
15% \implies 7.25 minutes.	40% \implies 18 minutes.
20% \implies 9 minutes.	

Q1–Q3: Roughly chronological in terms of course topics.

Q4: Elements from all parts of course:

- (a) (i) & (ii): Consumption/Labour & Monetary Policy.
- (b) (i) & (ii): NK, RBC & Ramsey.
- (c) (i) & (ii): Financial Crisis & Search.

2 What does the macro final test?

The macro final exam will mainly test recollection (memory) and applications of concepts. You may be asked to give an example or explain and describe something **briefly**. For instance, you may have to provide reasons on ‘why’ or ‘how’ or describe methods or explain intuition. You might be asked whether X is consistent with Y , where X is data and Y is theory. The exam will also test your ability to critique something; and you may use graphs or numerical examples plus show off if you read a paper (here an appropriate critique is given more weight than merely mentioning a paper). Discussion and critiquing are precise tasks you will be required to perform related to the general notion of understanding or comprehending a topic. You should demonstrate that you recollect the material and that you can critique it, perhaps by going further than the notes if you want to show off your reading. If given an open question on motivating an example, this implicitly requires you to show why or how your example is relevant.

You will be asked to calculate things. You may be required to find the steady state for a variable. Some questions ask you to provide graphs and verbal explanations. You are not being tested on your artistic talent for drawing and colouring graphs, but your graphs should demonstrate the following characteristics:

- axes (draw, origin, arrows, label, units).
- label diagram (what does it show).
- curve(s) (draw, label).
- any formula used.

3 Revision

Tips for revision:

1. Reading (not passive).
2. Time Management (get started).
3. Task Management (Prioritising, Balance).
4. Revision (Practice a lot, write down).

5. ‘An Important Piece of Information can simply be regarded as the answer to a Question’ (Groups, come up with a question).

The best way to prepare for the macro exam is going through the typed lecture notes (chapters 1–8 excluding 3 on Blackboard plus ‘more-on-consumption’ and ‘testing monetary neutrality’ ($\times 2$)) and testing yourself in trying to recall what each section described by writing things down (e.g. equations (then try to explain the intuition behind the parts of the equations silently to yourself without reading the notes)) or giving a talk on a section (silently to yourself or with others in a study group) and then re-reading the section again to see what you left out. A great revision strategy would be to have someone else read a section or chapter and then quiz you on it. If you read widely, you could show that off or even test yourself further by trying to apply the concepts to something you read in the news, online, etc. Lecture slides 2, 9, 10 are most important lecture slides as most of their material is not contained in the notes; other slides mostly summarise material in the notes. Also see slides revision.pdf, mplslides.pdf and rbc.pdf. You have three weeks off before the exam period so even if you only wanted to study for one day, you should do these first.

For both micro and macro, the first thing you should do is to go over and make your own brief outline of the course topics. For macro, see Module Information on Blackboard.

The next and most important part of your revision should be doing and reviewing tutorial questions first and past papers second. For many tutorial questions, the answers are available on Blackboard (Tutorial Questions) and for which typed answers are unavailable online, we answered these during tutorials, so you should find classmates who have written down answers to these questions.

Attempt to solve past paper exams. This will be extremely beneficial part of your preparation for the exams. These exams are available on Blackboard and we will have answered most in class, so find students who wrote down notes on these questions if you do not have answers. For macro, papers that are relevant go back to 2008/2009. I highly recommend each of you to go through these including midterms.

Finally, ‘shooting for stars’ you can go back over primary and then extra reading material. Hopefully primary material will be revision rather than study.

While three weeks is a very long time by historical standards and in comparison to colleges elsewhere, if you really find yourself struggling with time to go over material, the most time-efficient source of revision material are the typed lecture notes. You can find these on Blackboard.

4 Sample Topics

- Consumption: Permanent Income Hypothesis (PIH) versus Keynes consumption function theory, implications of PIH; Euler equation and Transversality Condition (write down and explain intuition).
- Application: Mirlees, Optimal Taxation, Marginal versus Average Tax Rates.
- Early papers: Koo (Balance Sheet Recessions), Eggertson & Krugman (paradoxes of toil and flexibility, Fisherian Debt Deflation...), Woodford (Quantitative Easing).
- Monetary Policy: short and long term rates, testing monetary neutrality; Expectations Theory / Market Segmentations Hypothesis / Liquidity Premium: know formulae, calculate rates (problem sets).
- New Keynesian Economics: 3 equation model (3 equations will be given but need to know where they come from and intuition); propagation mechanisms (sticky prices, financial accelerator).
- RBC: propagation mechanisms (labour substitution, capital accumulation, financial accelerator); temporary vs persistent nature of shocks to A , NK vs RBC regarding cyclicity of labour productivity.
- Ramsey: notes (know chapter 7), find steady state.
- Financial Crisis: PS7, debt vs equity, concepts (slides 9 & 10), papers: Brunnermeier, Kashyap, Lane; bank's asset sheet: leverage ratio (calculation), insolvency, money multiplier, monetary policy channels.
- Search Theory: notes (know chapter 8).