

Macroeconomics Field Exam

August 2019

Part I (Based on Econ 236A by Romer and Romer): 80 points = 80 minutes

1. **(40 points)** Various methods have been suggested for identifying monetary policy shocks: VAR residuals, narrative evidence, deviations from a Taylor rule estimated using Federal Reserve forecasts, and using high-frequency federal funds rate futures data.

Choose three of these methods and, for each of them, discuss:

- a. What the approach is.
- b. The strengths and weaknesses of the approach.
- c. The types of questions the method is most appropriate for investigating.

2. **(40 points)** Consider an increase in government purchases, not accompanied by a change in taxes.

- a. What do various models (old Keynesian, neoclassical, new Keynesian) suggest about the impact of such an increase in government purchases on real output?
- b. Discuss and critically evaluate two studies, one using aggregate data and one using cross-section data, that attempt to estimate the impact of an increase in government purchases.
- c. What are some of the important considerations in using the cross-section evidence to estimate the aggregate impact of fiscal policy?

