Macroeconomics A: EI056

Quizz

Cédric Tille

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1 Evidence of effects of policy

Question: What do we need to be careful about when assessing how monetary policy affects output and inflation?

What is the evidence in the US case?

2 Strategic complementarity

Question: Explain the concept of strategic complementarity.

3 Demand for varieties of goods

Question: n class we derived the demand for brand i, and the consumer price index as:

$$C_j = \left[\frac{P_j}{P}\right]^{-\theta} C \qquad ; \qquad P = \left[\int_0^1 [P_j]^{1-\theta}\, dj\right]^{\frac{1}{1-\theta}}$$

Explain these expressions in terms of economic intuition.

4 New Keynesian Phillips curve

Question: What is the New Keynesian Phillips Curve? Explain intuitively the various elements that enter this relation.

5 Output gap

Question: What is the output gap?

6 Gain from commitment

Question: What is the new gain from commitment in the New Keynesian model?

7 Expectations and policy

Question: Economists often point to monetary policy being all about expectations. Explain how this is the case in the framework presented in class.