Macroeconomics A
Problem Set 9 (Practice Short Questions)

Johannes Boehm

Geneva Graduate Institute — Fall 2024

1. True/false/uncertain: "According to the Solow growth model, as long as the saving rate is above zero, the economy will experience positive per-capita growth."
2. Explain two problems that early real business cycle models (i.e. our models discussed in Lecture 3) were facing and outline attempts at solving these problems.
3. Briefly explain the identification problem in vector autoregressions that seek to estimate the dynamic response of real variables to monetary shocks, and outline possible identification strategies.
4. Why may it not be in the interest of the central bank to implement a target interbank interest rate by making the "channel" between borrowing rate and deposit rate very small?
5. When prices are flexible but firms update their information only at random points in time, how does the Phillips curve change? How does it change the response of output and inflation to a money supply shock?
6. Explain the unemployment volatility puzzle (also known as "Shimer puzzle") and one way of resolving it.
7. True/false/uncertain: "The question of which financial assets households can use to save will determine their ability to smooth consumption over time."