

Take-home Portion of the Final Exam

Answer both questions. Each question is worth 20 points. Each answer should not exceed three pages; however, graphs, charts, equations, and tables are not bound by this limit. Please type your answers in a double-spaced format with a font of at least 12 and 1 inch margins on all sides. This portion of the exam is due at midnight on Monday, June 3<sup>rd</sup>.

1. Macroeconomists debate whether recent jobless recoveries are the result of cyclical or structural factors.

- a. Briefly describe the argument for each view.
- b. David Autor and others have argued that the characterization of job market opportunities has changed markedly in the US and in Europe. Highlight three such changes.
- c. How do these changes affect attempts to calculate the "natural" rate of unemployment?
- d. Present two policies (with supporting evidence) that the Council of Economic Advisors (in EROP 2013) suggests would improve job market performance.

2. Many European and American policy makers are concerned about the levels of debt incurred in their respective countries.

- a. Characterize the level of public debt in the U.S relative to past such levels.
- b. Discuss why some economists worry about the levels of debt while others are less concerned.
- c. Reinhart and Rogoff have suggested that financial crisis related recessions are not the same as ordinary recessions. Why do they view such recessions as distinctly different?
- d. Explain how do countries typically resolve the debt overhang that arises from these financial crises?