

DO NOT REMOVE THE QUESTION PAPER FROM THE EXAMINATION HALL

UNIVERSITY OF LONDON

CENTRE FOR FINANCIAL AND MANAGEMENT STUDIES

MSc Examination
MBA Examination
Postgraduate Diploma Examination
for External Students

91DFMC225
91DFMC325

ECONOMIC POLICY
FINANCE (BANKING)
FINANCE (ECONOMIC POLICY)
FINANCE (FINANCIAL SECTOR MANAGEMENT)
FINANCE (QUANTITATIVE FINANCE)
PUBLIC FINANCIAL MANAGEMENT

Macroeconomic Policy & Financial Markets

Specimen Examination

This is a specimen examination paper designed to show you the type of examination you will have at the end of this module. The number of questions required and the structure of the examination will be the same, but the wording and requirements of each question will be different. Best wishes for success on your final examination.

The examination must be completed in **THREE** hours.

Answer **THREE** questions, *at least* **ONE** question from **EACH** section.

The examiners give equal weight to each question; therefore, you are advised to distribute your time approximately equally between three questions. The examiners wish to see evidence of your ability to understand theoretical principles and your ability to critically discuss their application.

PLEASE TURN OVER

Section A

Answer at least ONE question from this section.

1. Explain the 'life cycle' theory of saving and discuss its relevance for understanding aggregate saving in an economy.
2. Explain and discuss the theory that firms' investment is determined by the cost of capital.
3. 'To understand what determines the level of aggregate demand this year we must understand the principle that individuals make choices between consumption now and consumption in the future.' Explain and discuss.
4. Central bankers can either be required to follow policy rules or can be given discretion over monetary policy. Discuss the merits of each approach.

Section B

Answer at least ONE question from this section.

5. 'Ministers of Finance are in positions of great power because fiscal policy has a major effect on aggregate demand'. Discuss.
6. Outline and discuss the role of expectations in macroeconomic policy.
7. How do nominal exchange rates reflect countries' inflation rates? In your answer, please use both theoretical and empirical reasoning.
8. What do you understand by the concept 'uncovered interest parity'? How relevant is the concept for analysing countries' international capital flows, exchange rates, and macroeconomic policy?

[END OF EXAMINATION]