

Econ 872
Spring 2012
C. Engel

Mid-Term Exam

Each person should pick a particular question that their set of four papers addresses, and write a “review essay” on that topic. The essay should then explain how each paper helps us to understand that topic.

Let me give an example. Suppose I had chosen to read the Engel-Wang, Corsetti-Dedola, and Kehoe-Perri papers under sections B and C of Dynamic Models on our reading list. (For your assignment, please choose papers not on the reading list. If you absolutely cannot avoid it, you may let one of your four papers be from the reading list.)

First, I need to develop a question that each of these three papers helps me to answer. Perhaps I could use each of them to help answer the question of why consumption is less highly correlated across countries than output. The papers are not written about that topic, but each paper develops a model that sheds some light on that question. So, the first step is to pick a question that your papers each help us to understand.

State the problem, and why it is interesting. In this case, I would discuss how the fact that consumption correlation is less than output correlation makes it appear that there is no risk sharing going on internationally.

Then proceed to explain what insights each of your papers sheds on these questions. So I would look at each of my papers and see if the models imply that consumption is less correlated than output. In fact, they each do – that is why I picked this question.

The hard part is then to try to understand where this is coming from in each paper, and to explain it. What features of the model make consumption correlation lower than output correlation in each model? In order to do this, you have to describe the models clearly. This does not mean writing down all the equations of the model (though it may require writing some of the equations), and deriving all the results. It means that you have to describe the models clearly and succinctly. Then explain how the model works to give you consumption correlation lower than output correlation.

You should turn in a typed review essay, 1.5 spacing, 12-point type, standard margins, and at least 6 but no more than 10 pages long.

Due dates:

Monday, March 12 – turn in the list of four papers that you will read. Please see the syllabus for more details on choosing these four papers.

Monday, March 26 – your paper is due.