

## Empirical Business Cycles: Practice Problems

1. True or False? The New Keynesian model to be developed in class enjoys good empirical fit.
2. True or False? The data suggest that increasing government spending during a recession increases GDP.
3. True or False? The data suggest that increasing taxes during a recession increases GDP.
4. Under what circumstances can a reduction in personal income tax rates increase tax revenue. Discuss the economic mechanism behind such a result.
5. True or False? The data suggest that reductions in current U.S. income tax rates would result in increased revenue.
6. True or False? Impulse response functions are a tool that is only used in empirical macroeconomics.
7. Suppose that the current Bates administration decided to make admissions decisions using a roll of a die. Plot the impulse response function of Bate's reputation in response to such a shock.