LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – **ECONOMICS**

SECOND SEMESTER – **APRIL 2014**

EC 2809 - MACRO ECONOMIC THEORY - II

Date : 01/04/2014 Dept. No. Max. : 100 Marks
Time : 09:00-12:00

PART A **(5 X 4 = 20 marks)**

Answer any FIVE questions in 75 words each. Each question carries FOUR marks.

1. Mention the role of assumptions in economic theory.
2. Briefly state the purpose of models of economic growth.
3. Explain the concept of perfect foresight.
4. How is population growth relevant for economic growth in the Research & Development model?
5. State the assumptions of the Kaldor's model of the trade cycle.
6. Explain the concept of random walk of GDP.
7. Highlight the major conclusions of the Ramsey-Cass-Koopman's model.

PART B **(4 X 10 = 40 marks)**

Answer any FOUR questions in 300 words each. Each question carries TEN marks.

8. Derive the central conclusions of the Diamond model.
9. Discuss the key propositions of the Harrod-Domar model.
10. Explain the simple version of the Goodwin model of the trade cycle.
11. Graphically demonstrate how a trade cycle is generated in Kaldor's model.
12. Using real business cycle theory, discuss how productivity or supply shocks spread to the rest of the economy through various propagation mechanisms to generate business cycles.
13. How does Pierre Perron prove that both aggregate demand and aggregate supply shocks contribute to business cycle fluctuations?
14. Briefly describe a coordination-failure model.

PART C **(2 X 20 = 40 marks)**

Answer any TWO questions in 1200 words each. Each question carries TWENTY marks.

15. Derive a model of human capital and growth and examine its significance for developing economies.
16. Derive the Solow growth model and mention its major shortcomings.
17. Show how Hicks makes a significant contribution to the theory of the business cycle by combining the accelerator-multiplier interaction with the forces of economic growth.
18. Explain how moderate seignorage needs give rise to substantial inflation and large seignorage needs produce high inflation.

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