LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SECOND SEMESTER – **APRIL 2016**

EC 2809 - MACRO ECONOMIC THEORY - II

Date: 20-04-2016 Dept. No. Max. : 100 Marks
Time: 01:00-04:00

PART A (5 X 4 = 20 marks)

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

1. Mention the assumptions of the human capital and growth model.
2. Explain the concept of perfect foresight.
3. What is endogenous growth?
4. What is a Research and Development model?
5. State the assumptions of the Hicks theory of the business cycle.
6. Define constant returns to scale production function using a suitable example.
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. Examine the implications of a coordination-failure model.
9. In the Harrod-Domar growth model explain why the economy is balanced on a knife-edge equilibrium.
10. How does Goodwin make use of the non-linear accelerator in his model of the trade cycle to prove the persistence of business cycles?
11. How do Nelson and Plosser prove that the GDP growth process follows a random walk, influenced largely by supply shocks rather than by demand shocks?
12. Explain the key propositions of the Solow growth model using suitable illustrations.
13. Derive a simple version of a Research and Development Model.
14. Examine the relationship between Seignorage and Inflation.

PART C (2 X 20 = 40 marks)

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

15. Explain how Lucas uses the aggregate supply curve to prove that local prices are dependent upon local demand shocks as well as the general level of prices in the economy.
16. Derive mathematically a baseline model of real business cycle theory.
17. Explain how Kaldor's model of the trade cycle discusses the possibility of multiple points of equilibrium.
18. Demonstrate with the help of the perfect-foresight and rational expectations models that anticipated changes in monetary policy will have no real effects.

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