LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SECOND SEMESTER – APRIL 2017

16PEC2MC02 - MACROECONOMIC THEORY - II

Date: 21-04-2017
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

PART A   (5 X 4 = 20 marks)

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

1. State the assumptions of the Kaldor's model of the trade cycle.

2. Explain the concept of rational expectations.

3. What is a sunspot equilibrium?

4. Mention the assumptions of the imperfect information model.

5. Why is Hicks model of the trade cycle considered superior to Samuelson's model?

6. Explain Cobb-Douglas production function with a suitable example.

7. Mention the shortcomings of the traditional Keynesian models of growth.

PART B   (4 X 10 = 40 marks)

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

8. Derive a baseline model of real business cycle theory.

9. Why is the economy considered to be perched on a knife-edge equilibrium under the Harrod-Domar growth model?

10. Discuss the major inferences of the Ramsey-Cass-Koopmans model.

11. Derive the random walk model of economic growth.

12. Examine the importance of human capital and growth to developing economies.

13. How does Pierre Perron prove that both aggregate demand and aggregate supply shocks contribute to business cycle fluctuations?

14. How does coordination failure arise in an economy? Illustrate with the help of an example.

PART C   (2 X 20 = 40 marks)

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

15. Discuss the relationship between seignorage and inflation.

16. Derive the fundamental equation of the Solow growth model and discuss the major findings of this model.

17. Explain Goodwin's model of the trade cycle using appropriate tables and diagrams.

18. Examine the significance of the overlapping generations model as a model of economic growth.