



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – ECONOMICS

SECOND SEMESTER – APRIL 2017

EC 2809 - MACRO ECONOMIC THEORY - II

Date: 02-05-2017
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

PART A

Answer any FIVE questions in 75 words each. Each question carries FOUR marks. (5 X 4 = 20 marks)

1. State the assumptions of the Kaldor's model of the trade cycle.
2. State the assumptions of the Diamond model of economic growth.
3. Mention the grounds on which Hicks' theory of the business cycle is considered superior to Samuelson's version.
4. What is Seignorage? How does it arise?
5. Mention the key propositions of the rational expectations model.
6. Differentiate between the infinite horizons and the overlapping generations models.
7. Explain the concept of random walk of GDP.

PART B

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

(4 X 10 40marks)

8. Examine the implications of a simple R & D model of economic growth.
9. Compare the Harrod-Domar growth model with the Solow growth model.
10. Derive the central conclusions of the Diamond model.
11. Why does the rational expectations hypothesis postulate that anticipated changes in monetary policy will have no real effects?
12. Derive a basic version of the real business cycle theory.
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

Answer any TWO questions in 1200 words each. Each question carries TWENTY marks. (2 X 20 = 40 marks)

15. Explain how Goodwin makes use of the non-linear accelerator in his model of the trade cycle to prove the persistence of business cycles.
16. Derive a model of human capital and growth and examine its significance for developing economies.
17. Derive mathematically the Ramsey-Cass-Koopmans model of economic growth and highlight the major conclusions of this model.
18. Show how Hicks makes a significant contribution to the theory of the business cycle through his multiplier-accelerator interaction model.

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