LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION - **ECONOMICS**

SECOND SEMESTER – **NOVEMBER 2013**

EC 2809 - MACRO ECONOMIC THEORY - II

Date : 06/11/2013 Dept. No. Max. : 100 Marks
Time : 1:00 - 4:00

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. State the assumptions of the traditional Keynesian theories of fluctuations.
4. What are the implications of the coordination-failure models?
5. State the assumptions of the Hicks theory of the business cycle.
6. Why is Hicks theory of the business cycle considered superior to the Samuelson's version?
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. Show how Pierre Perron proves that both aggregate demand and aggregate supply shocks contribute to business cycle fluctuations.
9. Explain intertemporal substitution in labor supply using a baseline real-business-cycle model.
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 demand shocks?
12. Mention the criticisms leveled against all Keynesian models in general.
13. Derive a simple version of a Research and Development Model.
14. Differentiate between the infinite horizons and the overlapping generations models.

PART C (2 X 20 = 40 marks)

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

15. Explain how Kaldor's model of the trade cycle discusses the possibility of multiple points of equilibrium.
16. Demonstrate with the help of the perfect-foresight and rational expectations models that anticipated changes in monetary policy will have no real effects.
17. Explain the interactions among seignorage needs, money growth and inflation.
18. Critically evaluate Solow's growth model.

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