



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION - ECONOMICS

SECOND SEMESTER – APRIL 2013

EC 2809 - MACRO ECONOMIC THEORY - II

Date : 29/04/2013
Time : 9:00 - 12:00

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. 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. Explain the concept of perfect foresight.
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 (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. 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. Explain the key propositions of the Solow growth model using suitable illustrations.
13. Derive a simple version of a Research and Development Model.
14. Bring out the differences between traditional Keynesian theories of fluctuations and the Real Business Cycle models.

PART C (2 X 20 = 40 marks)

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

15. Explain how moderate seignorage needs give rise to substantial inflation and large seignorage needs produce high inflation.
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 by combining the accelerator-multiplier interaction with the forces of economic growth.
