LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – ECONOMICS

SECOND SEMESTER – APRIL 2019

EC 2809– MACRO ECONOMIC THEORY - II

Date: 04-04-2019   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. 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 Harrod growth 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 central conclusions of the Diamond model.
9. Derive the fundamental equation of the Solow growth model.
10. Explain the simple version of the Goodwin model of the trade cycle.
11. Why does the rational expectations hypothesis postulate that anticipated changes in monetary policy will have no real effects?
12. Using real business cycle theory, discuss how productivity or supply shocks spread to the rest of the economy through various propagation mechanisms to generate business cycles.
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   (2 X 20 = 40 marks)

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

15. Derive mathematically the Ramsey-Cass-Koopmans model of economic growth and highlight the major conclusions of this model.
16. 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.
17. 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.
18. Mathematically derive a model of human capital and growth.

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