LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SECOND SEMESTER – **APRIL 2015**

EC 2809 - MACRO ECONOMIC THEORY - II

Date : 18/04/2015   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. Define constant returns to scale production function.
3. Mention the assumptions of the Ramsey-Cass-Koopman's model.
4. Explain the concept of seignorage.
5. State the implications of the rational expectations model for a country's monetary policy.
6. Explain the concept of random walk of GDP.
7. Mention the key propositions of the Harrod-Domar growth model.

PART B   (4 X 10 = 40 marks)

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

8. Derive the central conclusions of the overlapping generations model (Diamond model).
9. Compare Harrod-Domar growth model with the Solow growth 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. Examine the implications of a coordination-failure model.
12. Graphically demonstrate how a trade cycle is generated in Kaldor's model of the trade cycle.
13. Derive a simple version of a Research and Development Model.
14. Discuss the Mundell-Fleming model as an example of a traditional Keynesian model of economic fluctuations.

PART C   (2 X 20 = 40 marks)

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

15. 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.
16. Derive a baseline model of real business cycle theory in support of inter-temporal substitution of labour supply.
17. Derive a model of human capital and growth and examine its significance for developing economies.
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.

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