



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – ECONOMICS

SECOND SEMESTER – NOVEMBER 2016

EC 2809 - MACRO ECONOMIC THEORY - II

Date: 10-11-2016
Time: 01:00-04:00

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. Mention the assumptions of the human capital and growth model.
2. Explain the concept of perfect foresight.
3. What is endogenous growth?
4. What is a Research and Development model?
5. State the assumptions of the Hicks theory of the business cycle.
6. Define constant returns to scale production function using a suitable example.
7. Highlight the major conclusion 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. Derive the central conclusion of the Diamond model.
9. Examine the major propositions of the Solow model.
10. Explain the simple version of the Goodwin model of the trade cycle.
11. Explain the relationship between Seignorage and Inflation.
12. Discuss the major shortcomings of the traditional Keynesian models.
13. How does Pierre Perron prove that 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 TWENTYmarks.

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 mathematically a baseline model of real business cycle theory.
17. Explain how Kaldor's model of trade cycle discusses the possibility of multiple points of equilibrium.
18. Demonstrate with the help of the perfect-foresight and rational expectations models that anticipated changes in monetary policy will have no real effects.
