Master of Arts Examination, 2018
(1st year, 2nd semester)
Economics
Macroeconomics II

Time: Two hours   **Full Marks: 30**

Answer any three.

1. Explain Dynamic Inefficiency in Solow model. Can it occur in Ramsey model? If yes, why? If not, why not? Discuss the condition under which dynamic inefficiency occurs in OLG model. What is the reason for having such inefficiency in OLG model?   4+2+4

2. Was the AK class of model successful in endogenizing the long-run growth rate? How does Romer (1990) model contribute to endogenous growth theory?.   5+5

3. Consider Galor Zeira (1993) paper. Show how credit market imperfection and indivisibilities in human capital investment lead to multiple equilibria in this model. 10

4. In a Real Business Cycle Model show that the departure of log output from its normal path follow a 2nd order autoregressive process. Hence show that transitory technology disturbances yield short run output movements but does not have any long lasting impact.   8+2