

SAMPLE ONLY

DEPARTMENT OF ECONOMICS
SAN JOSE STATE UNIVERSITY
MASTER'S COMPREHENSIVE EXAMINATION

DECEMBER 3, 2004
6:30 P.M. TO 9:30 P.M.
PROCTOR: J. HUMMEL

INSTRUCTIONS:

1. Answer ONLY the specified number of questions from the options provided in each section. Do not answer more than the required number of questions.
2. Your answers must be on the paper provided. No more than one answer per page. Do not answer two questions on the same sheet of paper.
3. If you use more than one sheet of paper for a question, write "Page 1 of 2" and "Page 2 of 2."
4. Write ONLY on one side of each sheet using only pen. Answers written in pencil will be disqualified.
5. Write ----- END ----- at the end of each answer.
6. Write your 4-digit identification number in the upper right-hand corner of each sheet of paper.
7. Write the question number in the upper right hand corner of each sheet of paper.

Section 2: Macroeconomics, Monetary Theory, and Econometrics—Answer One Question.

2A. Examine unemployment. How is it measured, and why are the U.S. government's unemployment figures inevitably imprecise? Why is unemployment not necessarily undesirable from the standpoint of economic productivity? Consider the various sources of unemployment and identify which of them is the *peculiar* concern of macroeconomics. Then compare and contrast various macroeconomic explanations for such unemployment.

2B. Would you like to wake up to find that your house or apartment was twice as large as it was before you went to sleep? If other people were as lucky, would that change how you felt? What if you wake up and find you have twice as much money? Now does it make any difference if other people also have that lucky experience? What does this tell us about the net welfare gains from changing the money stock, and about how money compares with other goods and services? Also use these hypothetical cases to illustrate real cash balances, seigniorage, and other distribution effects of inflation. In which case will the increase in the money stock be neutral?

2C. Consider the following linear model: $Y = B_0 + B_1X_1 + B_2X_2 + \text{disturbance term}$.

- (a) What assumption about the disturbance term is generally made to conduct hypothesis testing?
- (b) Suppose Y is regressed only on X_1 and not on X_2 . Derive mean and variance of estimator of B_1 .

2D. Define four different types of functional forms, derive their derivatives and elasticities and provide examples of what economic model they could estimate.