

SAMPLE ONLY

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

MAY 6, 2005
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. Use the aggregate demand-supply model to contrast classical, Keynesian, and monetarist theories. How did classical economists think that the aggregate supply curve was shaped? What about Keynesian economists? And what is the modern view? What explains shifts in the aggregate demand curve in each theory? How can this model portray stagflation, rational expectations, and real business cycle theory? You must use a diagram but be sure your written answer adequately explains it.

2B. Analyze the demand for money. How do changes in the demand for money affect the purchasing power of money (and therefore the price level) and real cash balances? Elaborate on the many factors that cause the demand for money to change. Be sure to relate the demand for money to the concept of velocity and to the equation of exchange. Also describe how the demand for money behaves during hyperinflations. You may use a diagram if you wish.

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 & 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.