M.A. Examination, 2017
Semester-IV
Economics
Course-XIII
(Macroeconomics-II)

Time: 3 Hours **Full Marks: 40**

Questions are of value as indicated in the margin.

Answer ***any four*** questions

1. State the rational expectation hypothesis. Show that under rational expectations, there is no scope for the authority to conduct systematic counter-cyclical policy. 2+8

2. Do you think that money is completely neutral in the aggregate despite price stickiness at the level of individual price setters following a state-dependent pricing policy? Give reasons. 10

3. Show that under the condition of imperfect information about the aggregate price level, the observed component of monetary shock affects only prices, but the unobserved component has real effects. 10

4. Do you think that Keynesian economics is price theory without Walras' law, and price theory with Walras' law is just a special case of Keynesian economics? Give reasons. 10

5. What is the "assignment problem"? Discuss how a wrong assignment of policies can be unstable, moving the economy away from simultaneous achievement of internal and external balances. 2+8

6. Discuss how the insider-outsider model explains unemployment and wage movement. 10

7. Outline Mankiw's menu cost model and discuss how sticky prices can lead to an upward slopping short-run aggregate supply curve, providing scope for stabilisation policies. 10

8. How would you justify payment of higher wages to workers? Develop a model to explain how efficiency wage can give rise to unemployment. 3+7