

M.A. Examination, 2018
Semester-II
Economics
Course-C7
(Macro Economics-2)

Time: Three Hours

Full marks: 40

Questions are of value as indicated in the margin

Answer **any four** questions

1. Discuss the formal differences between the *Standard Model* and the *General Theory Model*. Do you think that Keynesian economics is a singularly inadequate vehicle for the interpretation of Keynes's ideas? Give reasons. 5+5
 2. Discuss how long-term relationship between employers and workers gives rise to the possibility of unemployment and counter-cyclical movement of wage. 10
 3. Discuss how real balance effect ensures a stable full employment equilibrium in an economy. Examine the effectiveness of monetary policy in this context. 7+3
 4. What is the rational expectation hypothesis? Show that rationally formed expectations eliminate scope for the authority to conduct systematic counter-cyclical policy. 2+8
 5. Discuss how a wrong assignment of policies can be unstable, moving the economy away from simultaneous achievement of internal and external balances. 10
 6. Show that under the condition of predetermined prices in multi-period contract, aggregate demand disturbances have real effects and policy rules can be stabilizing even under rational expectations. 10
 7. Show that when the producers observe the prices of their own goods as well as the aggregate price level, money is completely neutral. 10
 8. Discuss how search and matching process may result in unemployment in a situation where workers and jobs are heterogeneous. Explain how worker and employer divide output from a filled job. 8+2=10
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