

SHIVAJI COLLEGE, UNIVERSITY OF DELHI
DEPARTMENT OF ECONOMICS
ASSIGNMENT
(Academic Year: 2023-24)

Name of the Course	: BA Program	Semester	: IV
Name of the Paper	: Intermediate Macroeconomics	Faculty Name	: Mr. Rahul
Date of Assignment	: 3 May 2024	Date of Submission	: 6 May 2024
Maximum Marks	: 25		

All questions are compulsory.

QUESTION-1 **(10 marks: 4+2+2+2)**

Derive the equation of the Aggregate Supply curve from the wage setting and price setting relations. Explain clearly how this curve is affected by a decline in each of the following:

- i) Oil Price
- ii) Unemployment benefits
- iii) Expected price level

QUESTION 2 **(5 marks)**

Consider an economy in its medium run equilibrium. Now suppose that the government passes a stricter law against the exercise of market power leading to decline in markup over wages. Explain using IS-LM and AS-AD curves how it will affect price level, interest rate and output in short run and in the medium run.

QUESTION 3 **(5 marks)**

Suppose there is a rise in money demand for every level of income and interest rate. How will this affect the LM and aggregate demand curves, if at all? Explain.

QUESTION 4 **(5 marks)**

Suppose the proportion of wage contracts that are indexed rises. Explain how and why it will affect the response of inflation to a given deviation of the rate of unemployment from the natural rate.

