

SHIVAJI COLLEGE, UNIVERSITY OF DELHI
DEPARTMENT OF ECONOMICS
ASSIGNMENT
(Academic Year 2023 – 2024)

Name of the Course : B.A. Honours Economics Semester : 2
Name of the Paper : Introductory Macroeconomics Faculty Name : Rahul
Maximum Marks : 20

Attempt all questions.

Ques 1) In the context of fiscal policy, what is crowding out? How does liquidity trap affects crowding out? Explain using suitable diagrams.

(6 marks)

Ques2) How does an increase in autonomous spending affect the equilibrium level of income? Explain using IS-LM analysis.

(6 marks)

Ques3) Suppose that in an economy

$$C = 100 + 0.8Y_D$$

$$\bar{I} = 70$$

$$\bar{G} = 200$$

$$\bar{TR} = 150$$

$$t = 0.20$$

Calculate the equilibrium level of income and multiplier in this model. What will be the new equilibrium income and new equilibrium multiplier if the t is changed to 0.25?

(8 marks)

