

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

Name of the Course : B.A. (Program) Semester : 4  
Name of the Paper : Intermediate Macroeconomics Faculty Name : Rahul  
Maximum Marks : 12

*Attempt all questions.*

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

**(4 marks)**

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

**(4 marks)**

**Ques3)** Suppose that in an economy

$$C = 100 + 0.8Y_D$$

$$\bar{I} = 70$$

$$\bar{G} = 200$$

$$\overline{TR} = 150$$

$$t = 0.20$$

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?

**(4 marks)**

