

Semester “Spring 2011”

“Macroeconomics (ECO403)”

Assignment No.02

Marks: 15

Question 01:

Assume that the following data taken from the economy of Pakistan.

$$C = 400 + 0.7(Y-T)$$

$$G = 200$$

$$T = 70$$

$$I = 100$$

Calculate the equilibrium level of output.

(Note: Write down all relevant steps involved in calculation)

Marks: (8)

Question 02:

If the marginal propensity to consume (MPC) of the economy of Pakistan is 0.77, then,

a) What is the Government-spending multiplier?

b) What is the Tax multiplier?

(Note: Write down all relevant steps involved in calculation)

Marks: (3.5+3.5)

Important Tips

1. This Assignment can be best attempted from the knowledge acquired after watching video lecture no. 17 to lecture no. 27 and reading handouts as well as recommended text book.
2. Video lectures can be downloaded for free from www.youtube.com/vu.

Schedule

Opening Date and Time	June 06, 2011 At 12:01 A.M. (Mid-Night)
Due Date and Time	June 10, 2011 At 11:59 P.M. (Mid-Night)

Note: Only in the case of Assignment, **24 Hrs extra / grace period** after the above mentioned due date is usually available to overcome uploading difficulties which may

be faced by the students on last date. This extra time should only be used to meet the emergencies and above mentioned due dates should always be treated as final to avoid any inconvenience.

Important Instructions:

Please read the following instructions carefully before attempting the assignment solution.

Deadline:

- **Make sure that you upload the solution file before the due date. No assignment will be accepted through e-mail once the solution has been uploaded by the instructor.**

Formatting guidelines:

- **Use the font style “Times New Roman” and font size “12”.**
- **It is advised to compose your document in MS-Word 2003.**
- **Use black and blue font colors only.**

Solution guidelines:

- **Every student will work individually and has to write in the form of an analytical assignment.**
- **Give the answer according to question, there will be negative marking for irrelevant material.**
- **For acquiring the relevant knowledge don't rely only on handouts but watch the video lectures and use other reference books also.**

Rules for Marking

Please note that your assignment will not be graded or graded as Zero (0) if:

- **It has been submitted after due date**
- **The file you uploaded does not open or is corrupt**
- **It is in any format other than .doc (MS. Word)**
- **It is cheated or copied from other students, internet, books, journals etc...**