The coursework assignment for this module is an individual assignment worth 30% of the overall module mark.

**Coursework Brief**

**Answer All Questions**

1. Suppose that the economy is in a **recession a**nd assume that the **IS curv**e is relatively **steep** while the LM is **relatively flat**. If you were to **advise the policy makers** on which **action** to take, **what would be your advice**? Show the **results graphically** with **explanation**.

**(60 marks)**

1. Suppose the economy is characterised by the following set of equations:

$$C=c\_{1}Y\_{D}$$

$$Y\_{D}=Y-T$$

$$I=b\_{0}+b\_{1}Y$$

**[where *C,***$ Y\_{D},Y ,T$**are consumption, disposable income ,income and taxes respectively.** $I $**is investment.** $G $**is government spending and it is constant/ exogenous. Also note investment is proportional to output.]**

(a) Solve for **equilibrium output**.

(b) What is the **multiplier**? How does the **relation** between **investment and output affect** the **value of the Keynesian multiplier**?

(c) For the **multiplier** to **be positive** **what condition** must $\left(c\_{1}+b\_{1}\right) $ satisfy?

**(40 marks)**

**(Total 100 marks)**

**Key Marking criteria will include:**

* Initiative: originality, innovativeness of answer
* Assignment Structure: clarity of aims, objective, structure and presentation
* Quality of Writing: Readability and ability to convey key message(s) concisely
* Quality/Scope of Literature Review: Understanding of established knowledge
* Suitability of Literature: Use of suitable sources, focused to answer key research aims
* Literature Analysis: Quality/level of analytical skill demonstrated
* Insightfulness of Analysis: Interest and usefulness of findings, conclusions drawn.
* Understanding: Assignment demonstrates students have understood key topics
* Overall Quality of Assignment