

Worksheet: Determination of Income and Employment (Aggregate Demand & Supply)

IB · Class 12 · Economics · 3 questions · 13 marks

Name: _____

Date: _____

Score: _____ / 13

Q1. In an economy, $MPC = 0.6$. (i) What is the MPS ? (ii) Calculate the investment multiplier. (iii) If investment increases by ₹500 crore, by how much will national income increase? [3 marks]

Q2. In a two-sector economy, the consumption function is $C = 200 + 0.8Y$. Investment (I) = ₹500 crore. Find the equilibrium level of income. [4 marks]

Q3. What is the Paradox of Thrift? Explain it with reference to the multiplier. What are its implications for government policy during a recession? [6 marks]
