ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD

**(Department of Economics)**

**WARNING**

1. **PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM THE AWARD OF DEGREE/CERTIFICATE IF FOUND AT ANY STAGE.**
2. **SUBMITTING ASSIGNMENT(S) BORROWED OR STOLEN FROM OTHER(S) AS ONE’S OWN WILL BE PENALIZED AS DEFINED IN THE “AIOU PLAGIARISM POLICY”**

## Course: Macroeconomic Analysis (9306) Semester: Spring, 2025

## Level: BS Economics

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## Please read the following instructions for writing your assignments. (AD, BS, BEd, MA/MSc, MEd) (ODL Mode).

1. All questions are compulsory and carry equal marks but within a question the marks are distributed according to their requirements.

2. Read the question carefully and then answer it according to the requirements of the questions.

3. Avoid irrelevant discussion/information and reproducing from books, study guides, or allied material.

4. Handwritten scanned assignments are not acceptable.

5. Upload your typed (in Word or PDF format) assignments on or before the due date.

6. Your own analysis and synthesis will be appreciated.

7. Late assignments can’t be uploaded at LMS.

8. The students who attempt their assignments in Urdu/Arabic may upload a scanned copy of their handwritten assignments (in PDF format) on University LMS. The size of the file should not exceed 5MP.

## Total Marks: 100 Pass Marks: 50

**ASSIGNMENT No. 1**

**(Units 1-5)**

Q1. Explain how the equilibrium interest rate is determined in classical theory. Discuss the role of the supply and demand for loanable funds in setting interest rates and the impact of shifts in these curves. (20)

Q 2. Discuss in detail the relative effectiveness and ineffectiveness of monetary policy versus fiscal policy in stabilizing an economy within the Keynesian system? (20)

Q 3. Differentiate between the Keynesian and classical aggregate supply with the help of a graph. Which factors are responsible for the shifting in the Keynesian aggregate supply curve, and how do these shifts affect equilibrium income and the price level? (20)

Q4. What are the implications of the Monetarist reformulation of the Quantity Theory of Money for the control of inflation and the role of the central bank in managing the money supply? (20)

Q5. What is the Phillips curve? Explain its connection with the output and inflation. Why does Keynes differ from Friedman in the Phillips curve? (20)

## Total Marks: 100 Pass Marks: 50

**ASSIGNMENT No. 2**

**(Units 6–9)**

Q1. Explain the concept of rational expectations in economics, and how it influences the individuals’ decision-making about the future. Recognize the difference between rational expectations, anticipated and unanticipated future. (20)

Q 2. Write the assumptions regarding the Real Business Cycle (RBC) theory, how do these assumptions influence the RBC model's explanation of business cycles and economic equilibrium? (20)

Q3. How rational expectations are explained by the New Classical School? Evaluate the rational expectations theory with examples from the labor market and goods market. (20)

Q 4. How do supply and demand forces in the foreign exchange market determine the exchange rate of a currency? Explain the Effect of Increased Export Quality on the Value of the Dollar with the help of a graph. (20)

Q5. What are the main goals of macroeconomic policy, and how do they contribute to overall economic stability? Discuss the challenges policymakers face in balancing the goals of macroeconomic policy during periods of economic uncertainty. (20)