

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 AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
- 2. SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Course: Introduction to Macroeconomics (802)
Level: M. Sc. Economics
Credit Hours: 03

Semester: Autumn, 2012
Total Marks: 100
Pass Marks: 40

ASSIGNMENT No. 1
(Units 1–5)

- Q. 1 Discuss the macroeconomic goals and problems of society. (20)
- Q. 2 Explain the following concepts with examples: (20)
- a) Average Propensity to Consume (APC)
 - b) Marginal Propensity to Consume (MPC)
 - c) Average Propensity to Save (APS)
 - d) Marginal Propensity to Save (MPS)
 - e) The Multiplier
- Q. 3 Explain how to derive an aggregate supply curve assuming that money wages are: (20)
- a) Flexible
 - b) Rigid
 - c) Rigid downward and flexible upward
- Q. 4 Explain the process of deposit expansion and deposit contraction in detail. (20)
- Q. 5 What is liquidity trap? If the economy is stuck in one, would you advice the use of monetary or fiscal policy? (20)

ASSIGNMENT No. 2

Total Marks: 100

(Units 6–9)

Pass Marks: 40

- Q. 1 Differentiate between MEC and MEI in detail. **(20)**
- Q. 2 What are the similarities between the life-cycle and the permanent-income hypothesis? Do they differ, in their approaches to explaining why the long-run MPC is greater than the short-run MPC? **(20)**
- Q. 3 Explain Solow's steady-state growth model of economic growth with population growth and technological growth. **(20)**
- Q. 4 If money wages are increasing more rapidly than productivity. Does this necessarily imply that the wage inflation is wage-push inflation? Why? Why not? **(20)**
- Q. 5 Write notes on the following: **(10+10)**
- a) Short Run Phillips Curve
 - b) Consumer Price Index (CPI)

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