Macroeconomics II

Assignment Guidelines:

This task evaluates the fundamental principles and models of short- and long-term macroeconomics, focusing on economic fluctuations, inflation, unemployment, and stabilisation policies. Students are expected to analyse aggregate economic dynamics under price and wage rigidities, build and interpret quantitative closed and open economy models, utilise macroeconomic data from institutional sources (e.g., ECB, IMF), and evaluate the strategic impact of financial policies and external shocks on national and business-level outcomes.

Submission Format:

- Type: Practical Analytical Report (Macroeconomic Policy & Scenario Analysis Project)
- Font/Spacing: Times New Roman, Size 12, Double Spaced
- Word Count: 1500 – 2500 words (excluding formulas, computational models, data tables, and appendices)
- Submission Deadline: To be announced by the respective professors

Assessment Criteria:

- Understanding and application of short- and long-term macroeconomic concepts and models – 20%
- Accuracy of quantitative modelling, empirical data analysis, and graphical/spreadsheet execution – 25%
- Critical interpretation of macroeconomic fluctuations and policy outcomes in business contexts – 20%
- Strategic economic insight, risk evaluation, and quality of managerial/policy recommendations – 25%
- Structure, technical reporting clarity, presentation, and APA referencing – 10%

Mandatory Sections:

- Title Page
- Table of Contents
- Executive Summary
- Introduction
- Theoretical Framework & Macroeconomic Models
- Quantitative Calculations & Scenario Analysis
- Discussion & Managerial Implications
- Conclusion & Recommendations
- References
- Appendices (Data Models, Spreadsheets & Graph Outputs)

Assignment Task – Choose ONE of the following practical projects:

Option 1: Business Cycle Fluctuations, Wage/Price Rigidities, and Monetary Policy Transmission

Evaluate how short-term market imbalances and nominal rigidities amplify economic cycles and influence aggregate business performance. Your paper should:

- Formulate and compare the short-run IS-LM and AD-AS models under sticky-price and flexible-price assumptions.
- Analyse the magnitude of the effect of central bank policy rate decisions and inflationary shocks on output, unemployment, and private sector investment using real-world institutional data (e.g. ECB/IMF reports).
- Investigate the adaptation strategies employed by major corporations in recent times of inflation or recession.
- Deliver a quantitative analysis forecasting model built on Excel and a strategic risk mitigation roadmap for the top executives to lead through changes in monetary policies.

Option 2: Open Economy Dynamics, Exchange Rate Movements, and External Shocks

Investigate macroeconomic equilibrium in open economies to determine how exchange rate regimes, trade balances, and international capital flows affect domestic market stability. Your paper should:

- Apply the Mundell-Fleming model to analyse the relative effectiveness of monetary and fiscal policies under fixed and flexible exchange rate systems.
- Evaluate the impact on national trade balances and competitiveness of external demand shocks, currency moves, and foreign interest rate changes.
- Examine actual country or sector cases (such as export-dependent or tourism-heavy nations) which experienced dramatic balance-of-payments or exchange rate instability.
- Advise on a strategic risk-management approach for global corporations to mitigate risks posed by macroeconomic policy changes and currency risk.

Option 3: Fiscal Stabilisation, Public Debt Dynamics, and Business Environment Impact

Analyse short-term fiscal stimulus and long-term debt sustainability to assess their impact on private capital crowding-out and overall macroeconomic stability. Your paper should:

- Use comparative quantitative scenarios to model the multiplier effect of targeted government spending and tax policy changes.
- Analyse the trade-off between short-term aggregate demand management and long-term sovereign debt build-up in the context of economic crises.
- Analyse the fiscal policy response of major countries and their impact on private sector liquidity, access to credit and market confidence.
- Develop a macro-informed strategic plan that informs enterprise capital allocation and working capital management in high-debt or fiscal-consolidation environments.