



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2021_1 EXAMINATION**

COURSE TITLE: MACROECONOMIC THEORY II

COURSE CODE: ECO 342

UNITS: 3

TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER ANY FOUR QUESTIONS

1a. Given the following classical National Income identities $Y = C + I$; and $Y = C + S$. Show that investment and savings are equal at equilibrium. **5 Marks**

1b. Given the following National Income identities: $Y = C + I + G + (X - M)$ where; $C = 20 + 0.75Y_d$; $I = I_0 = 600m$; $G = G_0 = 750m$; $X = X_0 = 150m$ and $M = 40 + 0.4Y$; $T = 50 + 0.3Y$. Determine; (i). Equilibrium National Income. (ii). Income Multiplier (iii). Tax multiplier **7.5 Marks**

1c. Substantiate the relationship between savings, consumption and investment. **5 Marks**

2a. The open market operation and discount rate policy influence the supply of money in an economy. Discuss. **7.5 Marks**

2b. Differentiate between required reserve ratio and the level of bank reserve as factors that can determine the supply of money. **10 Marks**

3a. Clearly explain what you understand by unemployment and unemployment rate. **5 Marks**

3b. Differentiate between unemployment and underemployment. **7.5 Marks**

3c. List and explain any five types of unemployment you know. **5 Marks**

4a. Explain inflation and deflation as two opposite concepts. **10 Marks**

4b. Explain the benefits of the use of monetary and fiscal policies to control deflation. **7.5 Marks**

5a. Critically examine the merits and demerits of international trade. **10 Marks**

5b. Explain the reasons for the imposition of restrictions in international trade? **7.5 Marks**