



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

**COURSE TITLE: ADVANCED MACROECONOMICS**

**COURSE CODE: ECO 442**

**UNITS: 2**

**TIME ALLOWED: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

1a. The following equations describe a hypothetical African economy

$$C = 500 + 0.5Y_d$$

$$I = 900 - 6000r + 0.1Y$$

$$G = 200$$

$$T = 200$$

$$Y = C + I + G$$

$$L = 0.5Y - 9500r$$

$$M = N500$$

where: C = consumption

I = investment

G = government expenditure

T = taxation

L = demand for money

M = supply of money

Y = income and r = interest rate

- i. Derive the IS function **(5marks)**
- ii. Derive the LM function **(3marks)**
- iii. Solve for the equilibrium interest rate in the economy **(5marks)**
- iv. Solve for equilibrium real output **(3marks)**
- v. What is the equilibrium value of consumption spending and investment spending **(6marks)**

1b. Differentiate between the IS curve and LM curve **(8marks)**

2. It is generally agreed that unemployment like inflation is a symptom of basic economic illness or macroeconomic disequilibrium”.

2a. Outline causes of unemployment in Nigeria. **(5marks)**

2b. Discuss causes of unemployment in Nigeria **(5marks)**

2c. Identify possible effects of the problem of unemployment and suggest possible ways in which it can be controlled.

**(10marks)**

3a. Economic growth refers to the quantitative and sustained increase in the country's per capita output or income accompanied by expansion in labour force, consumption, capital and volume of trade. List and explain the determinants of Economic Growth?

**(10marks)**

3b. Briefly discuss how economic growth can be measured.

**(10marks)**

4a. Distinguish between Relative Income Hypothesis (RIH) and Permanent Income Hypothesis (PIH).

**(12marks)**

b. Enumerate the factors determining aggregate consumption of an economy **(8marks)**