NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2021_2 EXAMINATION4567

COURSE TITLE: MACROECONOMIC THEORY II
COURSE CODE: ECO 342
UNITS: 3
TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER ANY FOUR QUESTIONS

1. Given the following National Income identities $Y = C + I + G + (X - M)$ where;

   $C = 130 + 0.3Y_d$; $Y_d = Y - T$, $T = 120$, $I = 50 + 0.2Y$, $G = 160$, $X = 170$, $M = 140$

Determine;

(a). Equilibrium National Income.   **(5marks)**

(b). Income Multiplier   **(2.5marks)**

(c). Suppose the tax rate is expressed as a function income i.e. $T = 20 + 0.2Y$, what will be the level of the new national income.   **(5marks)**

(d) List and Explain five (5) uses of national income accounting.   **(5marks)**

2. With the use of graph, discuss the assertion: "a favourable balance of payments raises the exchange rate while an unfavourable balance of payment reduces the exchange rate". **17.5Marks**

3. Explain the fixed exchange rate and floating exchange rate systems and advance three arguments for and two against the two systems.   **17. 5 Marks**

4a. John Maynard Keynes posited three motives of holding cash balance. Discuss these motives
9 marks
4b. Discuss briefly the influential role played by the open market operation and discount rate policy on the supply of money in an economy.   **8.5 Marks**

5a. Briefly explain using fiscal and monetary policy strategies, how inflation is controlled in an economy   **5 Marks**
5b. Briefly discuss 2 types of inflation   **4.5 Marks**
5c. Briefly discuss the following

   - The Classical view of full employment   **4 Marks**
   - The Keynesian view of full employment   **4 Marks**