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

COURSE TITLE: ADVANCED MACROECONOMIC THEORY
COURSE CODE: ECO 712
UNITS: 3
TIME ALLOWED: 3 HOURS
INSTRUCTION: ANSWER ANY FOUR QUESTIONS. ALL QUESTIONS CARRY EQUAL MARK. YOU ARE ADVISED TO EXPLAIN EXPLICITLY AND USE DIAGRAM, GRAPHS, ILLUSTRATIONS OR EXAMPLES WHERE NEEDED

QUESTION 1
   a. List any four (4) determinant of Consumption and Savings. *4 marks*
   b. Given a saving function $S = -\alpha + sYd$;
      i. Derive consumption function.*4 marks*
      ii. Differentiate between *a,* b, and bY.*3 marks*
   c. Trace the Evolution of Modern Money. *(6.5 Marks)*

QUESTION 2
   a. The investment demand function was drawn on the assumption that other non-interest determinations of investment are held constant. Explain 5 factors that can cause a shift*? (7.5 Marks)*
   b. Suppose an investor feels that a given investment in new capital asset will cost him ₦ 12,000 and the machine is expected to yield over its life time a net return of ₦ 1,050, ₦ 3,528 and 9,261for 3 years respectively. Calculate with 5%, the unique rate of discount which will equate the sum of the discounted values of the prospective annual yields to the current supply price of the capital asset. *3 Marks*
   c. Macro-dynamic method enables one to see a 'motion-picture' of the functioning of the economy as a progressive whole. Explained in terms of the Keynesian process of income propagation. *5 marks*
   d. List and explain the 2 crucial determinants of planned investment *2 marks*

QUESTION 3
   a. Assuming the Nigerian economy has this consumption function $C = a + 0.7Yd$, where her autonomous consumption is ₦200m, private investment in the economy amounted to ₦60m, the government is not running a balanced budget and government expenditure was ₦50m. Tax rate in the economy was at 50%. Calculate the NI of Nigeria for that given year. *(7.5 Marks)*

    b.   Explain any two of the following
- a. Money supply   *(5 Marks)*
- b. Liquidity Preference   *(5Marks)*
- c. Equation of exchange   *(5Marks)*

QUESTION 4

a. The relative income hypothesis of James Duesenberry is based on the rejection of the two fundamental assumption of the consumption theory of Keynes. Discus the two part of this theory.   (***4 marks)***

b. There are Factors according to the absolute income theory that caused the consumption function to change. Discus in relative terms   (***6 marks)***

c. What makes money money? List and explain four.   (***4 marks)***

d. How does inflation affects money.   (***3.5 marks)***

QUESTION 5

a. Elaborate on Rostow Stages Of Growth Theory**.**   *(10 Marks)*

b. Economic growth may not lead to economic development but there is no economic development without economic growth. Discuss 5 reasons behind it. *(7.5 Marks)*