



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2019_1 EXAMINATION**

COURSE TITLE: MACROECONOMIC THEORY

COURSE CODE: ECO 341

UNITS: 3

TIME ALLOWED: 3 HOURS

INSTRUCTIONS: ANSWER ANY FOUR (4) QUESTIONS. ALL QUESTIONS CARRY EQUAL MARKS

1a. Determine the National Income Equilibrium, given the following below

$$C = a + bY_d$$

$$Y_d = Y - T$$

$$T = T_o + tY$$

$$I = I_o + rY$$

$$G = G_o + gY$$

$$X = X_o$$

$$M = M_o + mY$$

Show your workings

7.5 Marks

1b. Using graphical illustrations, discuss the inflationary and deflationary gap **10 Marks**

2a. Discuss the consumption function. **10 Marks**

2b. Using graphical illustration explain why the consumption curve slopes upward **7.5 Marks**

3a. Discuss extensively the consumption theory propounded by John Maynard Keynes **7.5 Marks**

3b. Given that $Y_e = \frac{a - bT_o + I_o + G_o + X_o - M_o}{1 - b + bt - r - g + m}$, Using the quotient rule, determine:

i. The Government spending multiplier **4 Marks**

ii. The Import multiplier **4 Marks**

Show your workings

iii. What is the policy implication for i and ii above? **2 Marks**

4a. Discuss any five (5) features of money **7.5 Marks**

4b. Explain the view of the following school of thought in macroeconomics

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|-----|----------------------|----------------|
| i. | The Classical School | 5 Marks |
| ii. | The Keynesian School | 5 Marks |

5a. Money has been classified into three main categories. List and discuss these three main categories of money **8.5 Marks**

5b. According to the Keynesians there are reasons why people demand for cash balance. List and discuss these reasons **9 Marks**

6a. Discuss the quantity theory of money **10 Marks**

6b. List and discuss 3 problems associated with the Barter system **7.5 Marks**