



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

COURSE TITLE: ADVANCED MACROECONOMICS
COURSE CODE: ECO 442
CREDIT UNITS: 2
TIME ALLOWED: 2 HOURS

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER TWO

1. Given the following structural model; $Y = C + I + G + (X - M)$, where ;
 $C = 400 + 0.54Y_D$
 $I = 250 + 0.2Y_D$
 $G = 400$
 $X = 700$
 $M = 100 + 0.15Y_D$
 $Y_D = Y - T$
 $T = 100 + 0.12Y$
 - a. Calculate the equilibrium level of income (Y_e) (12 marks)
 - b. If government spending increases by 40%, by how much will equilibrium income increase? (7 marks)
 - c. With the increase in government spending in (1b) by how much will consumption, investment, tax revenue and net export increase. (11 marks)

- 2a. Critically examine any four (4) major causes of unemployment in Nigeria. (8 Marks)
- b. Highlight any three effects of unemployment to the Nigeria economy. (9 Marks)
- c. Explain how the problems of unemployment could be solved in Nigeria? (3 Marks)

- 3a. What do you understand by the term national income and circular flow of income? (2Marks)
- b. Mention and explain various measures of aggregate Income you know. (12 Marks)
- c. With the aid of appropriate diagram explain circular flow of income in a two sector economy. (6 Marks)

- 4a. Discuss the Keynes' Marginal Efficiency Theory of Investment. (15 marks)
- 4b. What are the shortcomings of the theory in (3a) above? (5 Marks)

- 5a. Define "consumption function" (4 marks)
- 5b. Explain briefly the following consumption hypotheses;
 - i. Absolute income hypothesis (3 marks)
 - ii. Relative income hypothesis (3 marks)
 - iii. Permanent income hypothesis (3 marks)
 - iv. Lifecycle income hypothesis (3 marks)
- 5c. Which of the hypothesis in 5b most explained the consumption behavior in Nigeria? (4 marks)