



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2023_1 POP EXAMINATION.**

COURSE TITLE: MACROECONOMIC THEORY II

COURSE CODE: ECO 342

UNITS: 3

TIME ALLOWED: 3 HOURS

INSTRUCTION: Instruction: Answer Question 1 and any other 3 questions

QUESTION ONE

Given the following structural equations of a hypothetical economy

$$Y = C + I + G + X - M$$

$$C = 100 + 0.2 Y_d; Y_d = Y - T; T = 40; I = 20 + 0.4Y; G = 140; X = 130; M = 120.$$

You are expected to determine

- Equilibrium national income.
- Income multiplier.
- What effect will a 20% cut in government expenditure have on equilibrium national income.
- Suppose the tax rate is expressed as a function of income i.e. $T = 10 + 0.1Y$, what will be the level of the new national income.

(25 marks)

QUESTION TWO

- In a simple economy, show that aggregate savings is equal to aggregate investment at equilibrium level. **(5marks)**
- Discuss in detail that in an economy the level of income determines the level of investment and savings. **(10marks)**

(15marks)

QUESTION THREE

- (a). Discuss the term 'liquidity trap'. **(5marks)**
 - (b). Discuss the problems encountered in calculating national income. **(10marks)**
- (15marks)**

QUESTION FOUR

- (a). List ten (5) uses of national income. **(5 marks)**
 - (b). Discuss the factors that determines the supply of money in an economy. **(10marks)**
- (15marks)**

QUESTION FIVE

Write short note on the following:

- (a). Exchange Rate regime **(5marks)**
 - (b). inflationary rate **(5marks)**
 - (c). Money demand **(5marks)**
- (15marks)**