



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

**COURSE TITLE: ADVANCED MACROECONOMIC THEORY**

**COURSE CODE: ECO 712**

**UNITS: 3**

**TIME ALLOWED: 3 HOURS**

**INSTRUCTION: ANSWER QUESTION 1 AND ANY OTHER 3. YOU ARE ADVISED TO EXPLAIN EXPLICITLY AND USE DIAGRAM, GRAPHS, ILLUSTRATIONS OR EXAMPLES WHERE NEEDED**

**QUESTION 1**

- a. Given the classical two sector national income model, derive equilibrium national income. When consumption  $(C) = 100 + 0.5Y$ , *investment = 100* (5 MARKS)
- b. Dr. Bakare's monthly net salary is ₦200,000 and his marginal propensity to save is 25%. His employer provides lunch for him at ₦5000 monthly. Derive Dr. Bakare's consumption function and estimate his total consumption for the month. (10 MARKS)
- c. Derive Saving function from a given hypothetical consumption function. (10 MARKS)

**QUESTION 2**

- a. Economic growth may not lead to economic development but there is no economic development without economic growth. Discuss 5 reasons behind it. (7 MARKS)
- b. Distinguish between economic growth and economic development using at least 2 scholars. (4MARKS)
- c. List and explain any four (4) determinants of private investment. (4MARKS)

**QUESTION 3**

Vividly discuss the following monetary phenomenal concepts;

- a. Supply of money. (5 MARKS)
- b. Liquidity Preference (5 MARKS)
- c. The quantity theory of money (5 MARKS)

**QUESTION 4**

- a. List and explain factors that influences the demand for money (5 MARKS)
- b. List and explain the five (5) macroeconomic policy objectives (5 MARKS)
- c. Discuss the Trade-Off in macroeconomic Policy Objectives (5MARKS)

**QUESTION 5**

- a. Explain in details the shortfall of the following macroeconomic concepts
  - i. The Classical Theory of Interest(shortfalls) (5 MARKS)
  - ii. The Loanable Funds Theory of Interest(shortfalls) (5 MARKS)
  - iii. Liquidity Preference Theory of Interest Rate (shortfalls ) (5 MARKS)