



NATIONAL OPEN UNIVERSITY OF NIGERIA  
FACULTY OF SOCIAL SCIENCES  
DEPARTMENT OF ECONOMICS  
2023 2 EXAMINATIONS—

COURSE TITLE: ADVANCED MACROECONOMIC THEORY II  
COURSE CODE: ECO 442  
UNITS: 2  
TIME ALLOWED: 2 HOURS

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

Given that  $Y = C + I + G + (X - M)$

$$C = a + bY_d$$

$$T = T_0 + tY$$

$$I = I_0$$

$$G = G_0$$

$$R = R_0$$

$$X = X_0 \text{ and } M = M_0$$

If  $a = 110$ ,  $b = 0.7$ ,  $T_0 = 70$ ,  $R = 80$ ,  $I = 300$ ,  $G = 200$ ,  $X = 220$ ,  $M = 250$  and  $t = 0.15$

- Calculate the national income equilibrium (9 marks)
  - If the full employment is N2000b, calculate the inflationary gap or deflationary gap (4marks)
  - Derive the tax multiplier and calculate the effect on income if tax increases by N70b (7marks)
  - What are the limitations to the uses of national income figures (10marks)
- (30 marks)

QUESTION TWO

- Explain the relationship between the Marginal Efficiency of Capital (MEC) and Marginal Efficiency of Investment (MEI). (8 marks)
  - What are the shortcomings of Marginal Efficiency Theory? (6marks)
  - Identify the distinction between MEC and MEI (6marks)
- (20marks)