


NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2024 1 EXAMINATION

COURSE TITLE: ADVANCED MACROECONOMIC THEORY
COURSE CODE: ECO 712
UNITS: 3 UNITS
TIME ALLOWED: 3 HOURS
INSTRUCTION: ANSWER ANY FOUR QUESTIONS. ALL QUESTIONS CARRY EQUAL MARK. YOU ARE ADVISED TO EXPLAIN EXPLICITLY AND USE DIAGRAMS, GRAPHS, ILLUSTRATIONS OR EXAMPLES WHERE NEEDED

QUESTION 1

a. In a hypothetical economy the full employment is put at N12.5m. Consumption consists of N1.5m autonomous and 0.037Yd dependent, investment is N2.75m, while autonomous government expenditure is N2m. After all efforts, statisticians are able to estimate tax receipts at $N0.75 + 0.01Y$. Determine:

- i. Equilibrium level of income (6.5marks)
 - ii. By how much is the economy deflationary or inflationary? (3marks)
- b. Clearly differentiate between Permanent and Life Cycle Income hypotheses. (8marks)

QUESTION 2

- a. What is the major difference between Macroeconomics and Microeconomics? (4Marks)
- b. Elucidate on the importance of studying Macroeconomics. (6 Marks)
- c. Write short note on the following: i) Verbal Statement ii) Graphs iii) Equations/Models (7.5Marks)

QUESTION 3

- a. Mrs. Olumuyiwa's monthly net salary is ₦500,000 and his marginal propensity to save is 35%. Her employer provides lunch for him at ₦8000 monthly. Derive Mrs Olumuyiwa's consumption function and estimate his total consumption for the month. (9marks)
- b. What roles does the CBN play in the economy (7.5marks)

QUESTION 4

- a. Make a distinction between Induced and autonomous investment (4marks)
- b. Explain the Marginal Efficiency of Investment (MEI). (3.5marks)
- c. Discuss five other factors that can influence investment other than the Interest Rate (10marks)

QUESTION 5

- a. Explain in detail the five (5) macroeconomic policy goals (10marks)
- b. Discuss the Trade-Off in macroeconomic Policy Objectives (7.5marks)