**NATIONAL OPEN UNIVERSITY OF NIGERIA**
**FACULTY OF SOCIAL SCIENCES**
**DEPARTMENT OF ECONOMICS**
**2025_2 EXAMINATIONS**

**COURSE TITLE:** MACROECONOMIC THEORY II
**COURSE CODE:** ECO342
**UNITS:** 3
**TIME ALLOWED:** 3HOURS

**INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS**

**QUESTION ONE**

(a). How can national income models be classified into the Classical and Keynesian frameworks? **(5marks)**

(c) Given the structural equations of a hypothetical economy provided below:

$$Y = C + I + G + X - M$$
$$C = 100 + 0.40\ Yd$$
$$Yd = Y - T$$
$$T = 80$$
$$I = 40 + 0.12Y$$
$$G = 110$$
$$X = 140$$
$$M = 130$$

Calculate:
a)      Equilibrium national income
b)      Income multiplier
c)      What effect would a 30% reduction in government expenditure have on the equilibrium national income?
d)      Given that the tax rate is expressed as a function of income, $T = 20 + 0.1Y$, what will be the new level of national income?
e)      Calculate the new investment multiplier.                    **(20marks)**
**(25marks)**

**QUESTION TWO**

(a) Using a diagram, analyze the circular flow of income in a two-sector model, detailing the interactions between households and firms and explaining the flow of resources and money within this framework.**(10marks)**

(b) Briefly distinguish between the demand for money and the supply of money. **(5marks)**

**(15marks)**

## QUESTION THREE

(a). Examine the historical evolution and development of the Central Bank of Nigeria. **(7marks)**
(b). What is the concept of full employment, and how do the Classical and Keynesian perspectives on full employment differ? **(8marks)**

## QUESTION FOUR

(a) Discuss the basic reasons for international trade. **(5marks)**
(b). Provide a detailed explanation and illustration of the key theories of international trade, and discuss how they contribute to understanding global trade dynamics. **(10marks)**

## QUESTION FIVE

(a). Identify and explain five key determinants of the demand for money. **(5marks)**
(b). Examine the factors influencing the determination of foreign exchange rates through the interplay of demand and supply dynamics. **(10marks)**