



NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2020_2 EXAMINATION

COURSE TITLE: MACROECONOMIC THEORY II

COURSE CODE: ECO 342

UNITS: 3

TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER ANY FOUR QUESTIONS

1a. Differentiate between classical and Keynesian school of thought under national under the National income model classification. **7.5 Marks**

1b. Algebraically derive (i) equilibrium income (ii) investment multiplier (iii) Tax multiplier and import multiplier given the following information: $Y = C + I + G + X - M$, where $C = a + bY_d$, $Y_d = Y - T$, $I = I_o$, $T = T_o + tY$, $G = G_o$, $X = X_o$, $M = M_o$. **10 Marks**

2a. Briefly discuss the three motives for holding money according to the Keynesian school. **7.5 Marks**

2b. What are the similarities and differences between the Quantity Theory of Money and Cambridge Cash Balances Theory? **10 Marks**

3a. Unemployment in Nigeria is a cankerworm that has eaten deep into the fabric of the economy. Discuss. **7.5 Marks**

3b. Government policies to reduce unemployment must be based upon the types and causes of unemployment that are prevalent, discuss some of these policies. **10 Marks**

4a. critically examine the following: (a) Phillips Curve (b) Okun's law **7.5 Marks**

4b. What do you understand by stagflation. Suggest some measures to control it. **10 Marks**

5a. Explain international trade and substantiate the reasons why countries involved in trade among themselves. **10Marks**

5b. what features differentiate internal trade from international trade? **7.5 Marks**

6. Explain what is meant by multiple exchange rate system and discuss its limitations. **17.5 Marks**