



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

- Given the classical two sector national income model, derive equilibrium national income. When consumption $(C) = 100 + 0.5Y$, *investment = 100* (5 MARKS)
- 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)
- Derive Saving function from a given hypothetical consumption function. (10 MARKS)

QUESTION 2

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

QUESTION 3

Vividly discuss the following monetary phenomenal concepts;

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

QUESTION 4

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

QUESTION 5

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