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)**