

OLABISI ONABANJO UNIVERSITY, AGO-IWOYE, NIGERIA
FACULTY OF SOCIAL AND MANAGEMENT SCIENCES
DEPARTMENT OF ECONOMICS
2011/2012 SESSION RAIN SEMESTER Examination
Course Code & Title: ECO302- Intermediate Macroeconomics

Attempt Question 1 and any other TWO questions
Time Allowed- ~~2~~ 1 1/2 hrs

1. Given this macro-model

$$Y = C + I + G + (X - M)$$

$$\text{Where } C = w + bY^d$$

$$Y^d = Y - T + R$$

$$T = T_0 + tY$$

$$R = R_0 + rY$$

$$I = I_0 + iY$$

$$X = X_0 + xY$$

$$M = m_0 + mY$$

- (i) Assuming the economy is *laissez-faire* but closed, determine the equilibrium national income.
- (ii) Assuming the economy ceased to be *laissez-faire* but still remain closed, determine the equilibrium national income.
- (iii) Account for the differences in the multipliers in (i) and (ii) above.
- (iv) Assuming the economy ceased to be *laissez-faire* and closed, determine the equilibrium national income if the economy is only importing but not exporting.
- (v) Assuming the economy ceased to be *laissez-faire* and closed, determine the equilibrium national income if the economy is only exporting but not importing.
- (vi) Account for the differences in the multipliers in (iv) and (v) above, paying particular attention to their impact on the national income.
- (vii) Assuming the economy ceased to be *laissez-faire* and closed, determine the balanced-budget multiplier if the economy is both exporting and importing.

2. Differentiate between permanent income hypothesis and life-cycle income hypothesis paying particular attention to:

- (i) the economists that propounded each of them
- (ii) the basic features of each of them
- (iii) the implications of these hypotheses for policy purposes.

3. Explain the difference between the following concepts and also their relationship with each other:

- (i) Gross National Product and Net Income from abroad
- (ii) National Income at market prices and National Income at factor costs
- (iii) Net National Product and Net Domestic Product
- (iv) Gross National Product and Gross Domestic Product
- (v) Disposable Income and Personal Income.

4. With the aid of annotated diagrams, analyse the three links as identified by Lord J.M. Keynes that must occur for monetary policy to be effective.

5.(a) Do planned and realised investment always equal? Advance reasons.

(b) Discuss the factors affecting the saving and investment climate in Nigeria.

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