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FACULTY OF SOCIAL AND MANAGEMENT SCIENCES
DEPARTMENT OF ECONOMICS

2013/2014 SESSION RAIN SEMESTER EXAMINATION

Course Code & Title: ECO302- Intermediate Macroeconomics

Attempt Question 1 and any other Two questions

Time Allowed- 2 hours

1. Given the following macroeconomic conditions:

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

Where $c = a + bY^d$

$$Y^d = Y - T$$

$$T = T_0 + T_1 Y$$

$$I = I_0 - I_1 r$$

$$G = G_0 - G_1 r$$

$$X = X_0 - X_1 Y$$

$$M = M_0 + M_1 Y$$

- (a) Solve for the equilibrium level of income Y .
- (b) Determine (i) the investment multiplier (ii) the government expenditure multiplier (iii) the tax multiplier (iv) the progressive tax multiplier (v) the export multiplier (vi) the import multiplier (vii) the balanced budget multiplier.
- (c) Give adequate economic justifications for your answers in each of the questions above.

2. Using the Nigerian economy as a case study, explain how macroeconomics describes the economy in terms of macroeconomic variables.

3. Point out the difference between the following concepts of National Income and also their relationship with each other:

- (a) Gross National Product (GNP) and Net National Product (NNP).
- (b) National Income at market prices and National Income at factor costs.
- (c) Net National Product (NNP) and Net Domestic Product (NDP).
- (d) Disposable Income and Personal Income.

4. (a) Compare and contrast the Absolute Income Hypothesis and Relative Income Hypothesis.

(b) Write on the following, paying particular attention to them for policy purposes

- (i) Ratchet effect and demonstration effect.
- (ii) Average Propensity to Consume (APC) and Marginal Propensity to Consume (MPC).

5. (a) What do you mean by the term 'Investment'. Explain the determinants of the level of investment.

(b) How relevant are these determinants to the Nigerian economy.