



National Open University of Nigeria
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi- Abuja

Faculty of Social Sciences
Department of Economics

October/November Examination 2016

Course Code: ECO 341

Course Title: Macroeconomics

Credit unit: 3

Time Allowed: 3 hours

Instruction: Answer QUESTION ONE (COMPULSORY) and any other two questions

Question :

1.A classical model of a closed economy is given as $Y = C + I$;

$$C = 200 + .65Y \text{ and } I = 750$$

Calculate:

a. National Income (Y) equilibrium

b. National income multiplier if Investment changes to 950 and consumption function becomes $C = 250 + 0.75Y$. **(25 MARKS)**

2a. State **two** major difference between financial investment and real investment. Give examples.

2b. State **three** factors responsible for the shift of Marginal Efficiency of Capital (MEI). **(15 MARKS)**

3a. With the aid of diagram clearly state the difference between inflationary gap and deflationary gap

3b. Mention **three** factors that are responsible for inflationary gap in an economy. **(15 MARKS)**

4a. What is financial intermediation?

4b. Money supply in an economy is a function of credit creation variables. Explain. **(15 MARKS)**

5. Economic policies revolves round both fiscal policies and monetary policies. Identify and explain three objectives of these economic policies. **(15 MARKS)**

QUESTION 6

6. The trade-offs and conflicts found in macroeconomic policy objectives have led to economic distortions. Identify and explain two of these conflicts. **(15 MARKS)**