



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2017_2 Examination, January/February 2018**

COURSE TITLE: ECONOMIC THEORY

COURSE CODE: ECO 802

UNITS: 2

TIME ALLOWED: 2 HOURS

INSTRUCTION: ANSWER QUESTION 1 AND ANY OTHER TWO QUESTIONS

1. Examine the advantages and disadvantages of aggregation in macroeconomics
 - Advantages 9 Marks
 - Disadvantages 14 Marks
2. (a) Define a macroeconomic model 5 Marks
 - (b) Explain the following models in detail
 - Simple theoretical model 6 Marks
 - Empirical forecasting models 6 Marks
 - Dynamic stochastic general equilibrium model 6 Marks
3. (a) Examine the major goals of Monetary policy 11 Marks
 - (b) Identify and briefly explain the monetary policy instruments 12 Marks
4. (a) Examine a general equilibrium situation using the IS-LM curves 12 Marks
 - (b) Explain liquidity trap illustrating with graph and effect of monetary policy 11 Marks
5. What are the major macroeconomic objectives of Nigeria? 23 Marks