



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2023 2 EXAMINATIONS_**

COURSE TITLE: ECONOMIC THEORY

COURSE CODE: ECO 802

UNITS: 2

TIME ALLOWED: 2 HOURS

INSTRUCTION: INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

Discuss the following:

- (a). Consumer Goods. (5marks)
- (b). Inferior Goods. (5marks)
- (c). Normal Goods. (5marks)
- (d). Luxury and Prestige Goods. (5marks)
- (e). Consumers' Tastes and Preferences. (5marks)
- (f). Consumers' Expectations. (5marks)

(30marks)

QUESTION TWO

- (a). Differentiate between income-elasticity of demand and elasticity of price-expectations. (10marks)
- (b). Discuss the effect of change in input prices on the optimal combination of inputs. (10marks)

(20marks)

QUESTION THREE

- (a). Differentiate between Consumption function Saving function. (10marks)
- (b). Discuss the term 'Balanced Budget Multiplier'. (10marks)

QUESTION FOUR

- (a). Discuss the Liquidity trap theory.
- (b). Discuss the goals of monetary policy.

(20marks)

QUESTION FIVE

Discuss the limitations on the use of monetary policy for economic stability (20marks)