



**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)**