



**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