



**NATIONAL OPEN UNIVERSITY OF NIGERIA  
FACULTY OF SOCIAL SCIENCES  
DEPARTMENT OF ECONOMICS  
2020\_2 EXAMINATION**

**COURSE TITLE: MONETARY THEORY AND POLICY**

**COURSE CODE: ECO 343**

**UNITS: 3 UNITS**

**TIME ALLOWED: 3 HOURS**

**INSTRUCTION: ANSWER ANY FOUR QUESTIONS FROM THE OPTIONS**

**QUESTION ONE**

- (a) Define Monetary Policy and explain its **FOUR** objectives (11.5Marks)
- (b) Discuss the following conflicts in policy objectives
  - i. Full employment vs low inflation (2Marks)
  - ii. Economic growth vs stable prices (2Marks)
  - iii. Economic growth vs a balance of payments (2Marks)

**QUESTION TWO**

- (a) Discuss the **THREE** Targets of Monetary Policy (5.5 Marks)
- (b) Discuss the **FIVE** indirect instruments of Monetary Policy (10 Marks)
- (c) Explain the direct instruments of Monetary Policy (2 Marks)

**QUESTION THREE**

- (a) Discuss the following Institutional Arrangements:
  - i. The Monetary Policy Technical Committee (MPTC) (3 Marks)
  - ii. The Monetary Policy Implementation Committee (MPIC) (3 Marks)
  - iii. The Liquidity Assessment Group (LAG) (3 Marks)
  - iv. The Fiscal Liquidity Assessment Committee (FLAC) (3 Marks)
- (b) Explain the expansionary and restrictive monetary policies (5.5 Marks)

**QUESTION FOUR**

- (a) Discuss the Friedman **THREE** basic lags (5.5 Marks)
- (b) Explain any **FOUR** roles of Monetary Policy in a Developing Economy (6Marks)
- (c) Discuss any **FOUR** limitations of Monetary Policy in Less Developing Countries (6Marks)

**QUESTION FIVE**

- (a) Discuss any **FIVE** Criticisms of the Fisherian quantity theory **(10 Marks)**
- (b) Discuss the Cambridge Equations (The Cash Balances Approach) and Quantity Theory of Money (The Cambridge Cash Balance Approach) **(7.5 Marks)**

**QUESTION SIX**

- (a) Discuss **FOUR** areas of Superiority of Cambridge Cash Balances Approach over Fisher's Transaction Approach of Money **(6Marks)**
- (b) What is Money Supply? **(2.5 Marks)**
- (c) Given the following information Calculate M1, M2, M3 and M4 **(9Marks)**

S/N	Items	Amount
1	Currency with public	840,000
2	Demand deposits with banks	680,000
3	Other deposits with CB	300,612
4	Total deposits with Post office	220,500
5	Time deposits with banks	20,000,555
6	Post office saving bank deposits	500,528