



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2023_1 POP EXAMINATION.**

COURSE TITLE: MONETARY THEORY AND POLICY
COURSE CODE: ECO 343
UNITS: 3 UNITS
TIME ALLOWED: 3HOURS
INSTRUCTION: ANSWER ANY FOUR QUESTIONS. ALL QUESTIONS CARRY EQUAL MARKS

QUESTION ONE

- a) What is monetary policy? (3.5marks)
- b) Critically explain the principal goals of monetary policy (14Marks)

QUESTION TWO

The instruments of monetary policy affects the level of aggregate demand through the supply of money, cost of money and availability of credit. Discuss the direct and indirect instruments used by the central authority to control the supply of money in an economy (17.5marks)

QUESTION THREE

- a) Explain briefly the expansionary and restrictive monetary policies (5marks)
- b) What are the limitations of monetary policy in controlling inflation? (12.5marks)

QUESTION FOUR

- a) Friedman distinguishes among three basic lags. What are these lags? (10marks)
- b) Discuss the limitations of monetary policy in less developing countries (7.5marks)

QUESTION FIVE

- a) Discuss the cash balances Approach of Cambridge equation. (5marks)
- b) in what ways is the Cambridge cash balances approach to the quantity theory of money is superior to Fisher's transaction approach (12.5marks)