



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

COURSE TITLE: MONETARY THEORY AND POLICY

COURSE CODE: ECO 343

UNITS: 3 UNITS

TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER ANY FOUR QUESTIONS. ALL QUESTIONS CARRY
EQUAL MARKS

QUESTION ONE

- a) Discuss the Fisher's cash transactions approach of quantity theory of money (5.5marks)
b) What are the similarities and dissimilarities between Fisher's transaction approach and the Cambridge cash balances approach (12marks)

QUESTION TWO

- a) Explain briefly the Keynesian reformulated quantity theory of money (7.5marks)
b) List and explain the criticism of Keynes theory of money and prices (10marks)

QUESTION THREE

- a) Explain Keynes reasons why people demand for money (10.5marks)
b) The demand for money function is given as follows $M_d = 1.5Y - 180r$
i) Compute the demand for money when income (Y) is 8000 million naira and the interest rate (r) is 10 percent. (2.5marks)
ii) Given that level of income remains equal to N8000 millions, if interest rate of interest drops to 4 percent, how much does it affect demand for money? (2.5marks)
iii) If interest rate hikes to 16%, what will be the demand for money? (2marks)

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 theory of Friedman's demand for money (12.5marks)
b) How does Friedman simplify his theory of demand for money? (5marks)