



*"Investing in Africa's Future"*

College of Business, Peace, Leadership and Governance

**NMEC 405: MONETARY ECONOMICS**

**END OF FIRST SEMESTER EXAMINATIONS**

**APRIL/MAY 2020**

**LECTURER: G. MANDEWO**

**DURATION: (48 HRS)**

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### ***INSTRUCTIONS***

Answer **One question only**. Total possible mark is **100**.

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Start **each** question on a new page in your answer booklet.

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The marks allocated to **each** question are shown at the end of the question.

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**Show all your workings.**

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Credit will be awarded for logical, systematic and neat presentations.

1. Consider the following monetary economics major concepts: financial intermediation, financial labourization and financial depth. You are required to
    - a. Demonstrate a clear understanding of the interlinkages of the above three concepts [DRAW PRACTICAL EXAMPLES FROM YOUR COUNTRY].
    - b. Relate the application of the above in fostering economic growth.
    - c. Using a case study of a country of your own choice explain the process of financial intermediation. **[100 marks]**
  2. The central bank is an agent through which monetary policies are crafted and implemented. Discuss quantitative and qualitative instruments at the disposal of a central bank of a country that are used to control money supply. What is the effect of the degree of central bank independence in the implementation of monetary policies? Demonstrate the effectiveness of monetary policies in the context of ISLM model. All the responses should be anchored on your own country experiences **[100 marks]**
  3. There are various international financial institution that lends money to the government. Critically assess the effectiveness of the International Monetary Fund in Economic Adjustment Programmes based on your own country. Financial dualism in developed countries normally hamper economic development. Based on your own country explain this concept. In your own opinion and based on theories of monetary economics how are interest rates and exchange rates determined? **[100 Marks]**
- [END OF EXAMINATION]**