



"Investing in Africa's Future"

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMEC 405: MONETARY ECONOMICS

SECOND SEMESTER EXAMINATIONS

APRIL 2026

LECTURER: MR G MANDEWO

TIME: 3 HOURS

INSTRUCTIONS

ANSWER ANY **FOUR QUESTIONS** FROM THIS PAPER
MARKS ALLOTTED TO EACH QUESTION ARE SHOWN

CLEAR AND NEATLY PRESENTED WORK WILL BE AWARDED MARKS FOR PRESENTATION

Question 1

- (a) Define money and discuss the various measures of money supply in Zimbabwe. How do these measures affect monetary policy? **[8 Marks]**
- (b) Explain the challenges faced in accurately measuring money in developing countries like Zimbabwe. **[5 Marks]**
- (c) Analyze the impact of inflation on economic growth and the role of financial repression in inflation dynamics. **[5 Marks]**
- (d) Assess the impact of financial liberalization and deregulation on money demand, investment, and savings, with reference to empirical evidence. **[7 Marks]**

Question 2

- (a) Discuss the concepts of money neutrality and super-neutrality. How do these concepts influence macroeconomic theory? **[8 Marks]**
- (b) Compare and contrast the views of the Classical, Keynesian, Monetarist, Rational Expectations, and the new Barro and Blinder schools on the role of money in economic activity. **[7 Marks]**
- (c) Evaluate the empirical evidence on the transmission mechanism of money in less developed countries (LDCs). **[5 Marks]**
- (d) Discuss the techniques used in monetary control and evaluate their effectiveness. **[5 Marks]**

Question 3

- (a) Explain the demand for money within the IS-LM framework and the process of monetary transmission **[8 Marks]**
- (b) Describe the Traditional Approach, Partial Adjustment Models and Portfolio/Inventory Models of money demand. Discuss their relevance and application in empirical modeling. **[10 Marks]**
- (c) Provide an overview of the open economy IS-LM model and its application in monetary policy analysis. **[7 Marks]**

Question 4

- (a) Explain how the money supply is determined using the money multiplier and monetary base concepts. **[7 Marks]**
- (b) Discuss the portfolio approach to money supply and the challenges of modeling money supply in an open economy. **[8 Marks]**
- (c) Analyze the relationship between budget deficits and money supply, providing empirical evidence where applicable. **[10 Marks]**

Question 5

- (a) Define financial intermediation and discuss key indicators of financial development. **[7 Marks]**
- (b) Examine theories explaining the relationship between financial intermediation and economic growth. **[8 Marks]**

- (c) Critically analyze the financial repression hypothesis and its implications for economic growth. **[10 Marks]**

END OF EXAMINATION