



**BOWEN UNIVERSITY, IWO**  
**COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES**  
**ECONOMICS PROGRAMME**  
**B.Sc. DEGREE 2022/2023 ACADEMIC SESSION**  
**SECOND SEMESTER EXAMINATION**

**Course code: ECN 409**

**Course credit: 2**

**Course Title: Monetary Theory and Policies**

**Time Allowed: 2 hours**

**Instructions: Answer question 1 and any other 2. Question 1 carries 30 marks, while all other questions have 20 marks each**

**QUESTION ONE**

- a. Macroeconomic stability and policy predictability have consistently deteriorated over the last decade. Nigeria's economic performance, measured by GDP, is one of the most volatile among lower-middle-income countries. Macro stability, measured through a composite index of inflation and the external and fiscal positions, has significantly declined since 2014 and by 2021. Discuss the factors that have contributed to Nigeria's deterioration of macroeconomic stability. **10 marks**
- b. One of the monetary policies is to ensure economic stabilization. However, experience in recent times has shown inconsistency in policy and inflation bias. So what is the implication of Central Bank independence? And how can the apex bank improve the situation? Discuss extensively. Hints: 4 points each **10 marks**
- c. In November 2022, the Central Bank of Nigeria announced the currency redesign and limited cash withdrawals in a week. Evaluate the projected effects of this policy on the Nigerian economy. **10 marks**

**QUESTION TWO**

- a. Explain Fisher's Quantity Theory of Money **10 marks**
- b. Discuss five superiority of Cambridge Cash Balance Version over Fisher's Theory of Exchange **10 marks**

**QUESTION THREE**

- a. What do you understand by Tattoo Debate? **2 marks**
- b. Discuss five factors that can shift the demand for money in an Economy **10 marks**
- c. With the aid of a well-labelled diagram, illustrate monetary equilibrium where actual money balances are equal to desired money balances **8 marks**