

BOWEN UNIVERSITY
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES
ECONOMICS PROGRAMME

SECOND SEMESTER 2021/2022 ACADEMIC SESSION

COURSE CODE: ECN 368 (2 Credits)

COURSE TITLE: Monetary Economics

DATE: JULY, 2022

TIME ALLOWED: 1 hour 30 Mins

INSTRUCTION: ANSWER QUESTION 1 AND ANY OTHER TWO

1. Briefly explain the following and their determinants: (a) Consumption (b) Investment (c)

Demand for Money

(b) Consider an economy in which the price level is equal to one and the goods and money markets are described by the following equations:

$$C = 600 + 0.2Y_d; I = 80 + 0.5Y - 5r; G = T = 100$$

$$M_d = 100 + Y - 50r; M_s = 200$$

- (i) Calculate the equilibrium level of income and interest rate, describe your solution with a graph.
- (ii) Compute the equilibrium level of consumption and interest rate **30 marks**
2. Consider an economy with the population of 200m. The total labour force is 150m, if 120m are employed. Determine (i) the unemployment rate (ii) Labour force participation rate.
- (b) If the unemployment rate increases by 5%, what is the effect on inflation according to Phillips model? **20 Marks**
3. (a) Discuss the transmission mechanism of economic policy and different forms monetary policy change may take.
- (b) Lists and discuss the different time lags involved in monetary policy. **20 Marks**
4. (a) What is the concept of Labour Market?
- (b) Discuss the Labour Market Equilibrium with the aid of a diagram **20 Marks**