



AFRICAN ECONOMIC RESEARCH CONSORTIUM

**Collaborative MA Programme in Economics for Anglophone Africa
(Except Nigeria)**

JOINT FACILITY FOR ELECTIVES (JFE) 2009

JUNE – OCTOBER

MONETARY THEORY AND PRACTICE II

Second Semester: Final Examination

Duration: 3 Hours

Date: Tuesday, September 29, 2009

INSTRUCTION:

Answer **ANY THREE** Questions

Question 1

- (a) Provide a rigorous explanation on the distinction between 'Monetary Deregulation' and 'Financial Deregulation' and carefully examine the factors that could lead to successful financial sector reform in developing countries. **(10 marks)**
- (b) Critically analyze McKinnon's Complementarity Hypothesis as well as Shaw's Debt Intermediation Hypothesis and clearly explain the essential elements that make them compatible. **(10 marks)**

Question 2

- (a) Discuss the main factors underlying the existence of informal financial market in developing countries and explain the salient features that distinguish it from the formal market. **(10 marks)**
- (b) Carefully analyze the various factors that determine the efficient functioning of a monetary union and explain the major operations of a typical monetary union in Africa. **(10marks)**



Question 3

- (a) Explain the major features of a Neo-Classical Growth Model in the Cobb-Douglas form and demonstrate how increase in savings can affect growth in this model. **(10marks)**
- (b) Present a rigorous analysis of the events leading to the collapse of the Bretton Woods System and the major differences between that system and the current international monetary system. **(10marks)**

Question 4

- (a) Carefully explain and compare the effects of domestic credit expansion on the internal and external balance of a country under alternative exchange rate regimes. **(10 marks)**
- (b) Identify and discuss a typical model of Financial and Economic Development and evaluate it in the context of empirical evidence from developing countries. **(10 marks)**

Question 5

- (a) Critically examine the statement that “credit rationing is a phenomenon with diverse origin” and analyze the implications of this phenomenon for financial development. **(10 marks)**
- (b) Discuss the salient features in the evolution of the International Monetary System and evaluate the main factors facilitating financial globalization. **(10 marks)**