



AFRICAN ECONOMIC RESEARCH CONSORTIUM

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

JOINT FACILITY FOR ELECTIVES (JFE) 2011

JUNE – SEPTEMBER

MONETARY THEORY AND PRACTICE II

Second Semester: Final Examination

Duration: 3 Hours

Date: Friday, September 16, 2011

INSTRUCTIONS:

1. Answer **QUESTION 1** in Section A and **ANY TWO** questions in Section B.
 2. You are required to answer **THREE** questions in total.
 3. All questions carry equal marks.
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SECTION A

This Question is Compulsory

Question 1

Critically examine the McKinnon-Shaw financial repression hypothesis and Stiglitz-Weiss structuralist hypothesis as explanations for the emergence and existence of the informal financial sector in a developing country context. Discuss the policy implications for each in terms of development of the financial sector. (20 marks)

SECTION B

Answer ANY TWO Questions in this Section

Question 2

Discuss the theoretical underpinnings of Portfolio Approach and Elasticities Approach to balance of payments and exchange rate determination. (20 marks)



Question 3

Discuss the salient features of the World Bank/IMF supported structural adjustment programmes (SAPs) adopted by most sub-Saharan African countries in the mid-1980s. To what extent did the financial sector reforms enhance the efficiency of the financial sector in the developing country context? **(20 marks)**

Question 4

Discuss the external debt crisis faced by developing countries in the 1980s and the major external interventions towards resolving the crisis. **(20 marks)**

Question 5

Discuss the major arguments in favour of financial sector regulation. Clearly explain the various regulatory instruments for the financial sector. **(20 marks)**