27 Monetary policy

1 The amount of money in the economy at a particular point in time is known as

A credit creation.

B monetary policy.

C notes and coins.

D the money supply.

2 If a government loosens monetary policy in an attempt to expand the economy, what does this involve?

A raising interest rates by reducing the money supply

B raising taxes and raising government expenditure

C reducing interest rates by increasing the money supply

D reducing taxes and reducing government expenditure

3 Which is **not** a monetary policy measure?

A changes in foreign exchange rates

B changes in interest rates

C changes in money supply

D changes in tax rates

4 Which is a monetary measure that helps to reduce unemployment in the economy?

A a cut in taxes

B higher amount of government spending

C investment in training and development

D lower interest rates

5 An increase in interest rates, used to reduce overspending in the economy, is an example of

A fiscal policy.

B loose monetary policy.

C supply-side policy.

D tight monetary policy.

6 Define the term *monetary policy*. *[2 marks*

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7 Explain **one** reason why the government might choose to reduce interest rates in the economy. *[2 marks*

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8 Explain why a government might choose to use monetary policy. [4 marks]

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9 Explain how monetary policy can impact on the supply-side of an economy. [4 marks]

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10 Discuss the effectiveness of monetary policy in achieving economic growth. [8 marks]

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