

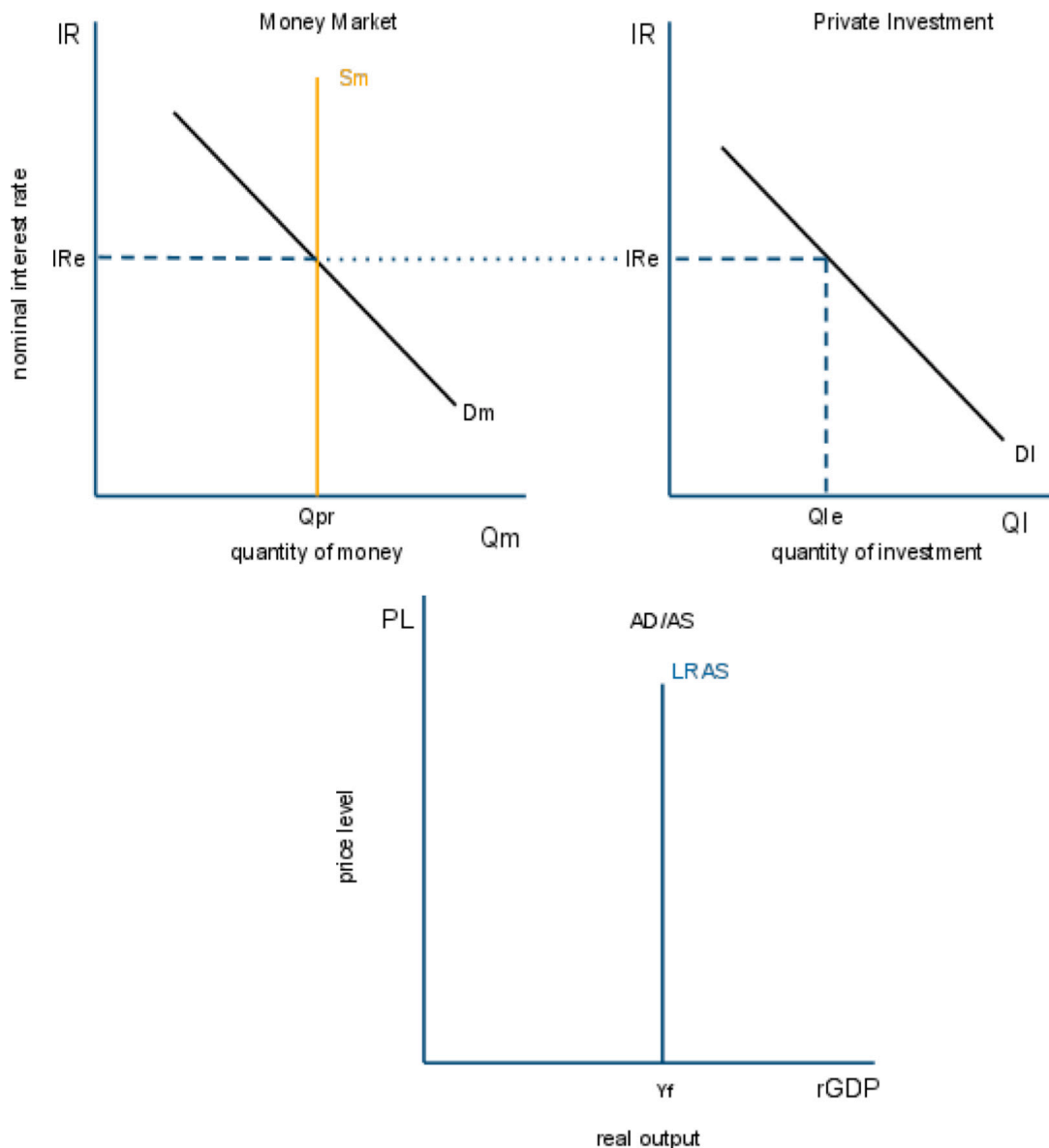


Worksheet 18.1

Implementing Monetary Policy

Practice the diagramming of monetary policy with this worksheet. Circle the appropriate decision where indicated, and draw in the appropriate changes to the diagrams below.

- 1) Assume the country is in a demand-side recession. The central bank will move to (tighten/loosen) the money supply. In the open market, the central bank would (buy/sell) bonds. The central bank could also (raise/lower) the base interest rate, or (raise/lower) the reserve requirement.





- 2) Assume the country is experiencing serious inflation. The central bank will move to (tighten/loosen) the money supply. In the open market, the central bank would (buy/sell) bonds. The central bank could also (raise/lower) the base interest rate, or (raise/lower) the reserve requirement.

