MONETARY POLICY

What is the NB’s monetary policy instruments?

How do the NB’s actions change the exchange rate?

How do the NB’s actions influence the inflation rate?

Q1. The NB mandate is to achieve _________.

A full employment at all costs

B low inflation at all costs

C maximum employment and stable prices

D a near-zero interest rate

Q3: The NB's monetary policy instrument is ______.

A the monetary base

B the NB reserves

C the quantity of money

D the NB funds rate

Q5: The first link in the chain of events triggered by a rise in the state funds rate is ___________.

A a rise in other short-term nominal interest rates

B a fall in consumption expenditure

C a fall in net exports

D a rise in the long-term real interest rate

Q6: To fight recession, the NB _______.

A buys securities in the open market to lower the state funds rate

B sells securities in the open market to lower the state funds rate

C buys securities in the open market to raise the state funds rate

D sells securities in the open market to raise the state funds rate

Q7: If in fighting recession, the NB hits the gas pedal too hard, it might push the economy ______.

A from recession to an inflation-free boom

B into stagflation

C from recession to inflation

D into depression

Q8: A key element that put banks under damage during the financial crisis of 2008-2009 was _____.

A an asset price bubble

B an asset price bust

C a currency drain

D a loss of cash reserves

Q9: The special measures taken by the NB in response to the financial crisis of 2008-2009 included ________.

A buying foreign currency to stabilize the dollar

B buying troubled assets

C insuring banks against default risk

D buying commercial banks