Solutions

Each answer shows the steps, then the **result**.

2.1

- the central bank's control of the money supply and interest rates to influence the economy

2.2

- open-market operations, the reserve requirement, the discount rate

2.3

- expansionary (easy) monetary policy

3.1 B

3.2 B

3.3

(a)

- contractionary (tight) monetary policy

(b)

- e.g. sell bonds on the open market (or raise the reserve ratio / discount rate) to reduce the money supply