## Solutions

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

**2.1**

- full employment and price stability

**2.2**

- fiscal: increase government spending (or cut taxes); monetary: cut interest rates (buy bonds)

**2.3**

- monetary policy

**3.1 B**

**3.2 B**

**3.3**

(a)

- increase government spending or cut taxes

(b)

- buy bonds / cut interest rates

(c)

- AD shifts right (increases)