Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Fiscal and Monetary Policy Practice

1. Four macroeconomic goals that every country strives to achieve are:






1. Peru is suffering from high unemployment. Lawmakers want to use **fiscal policy** to increase economic growth and create jobs.
   1. In order to do this, they should use (circle one):

Expansionary fiscal policy

Contractionary fiscal policy

* 1. This means \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increasing/decreasing) **taxes**
  2. and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increasing/decreasing) **government spending**.
  3. This could potentially cause an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increase/decrease) in the **government debt**
  4. Draw an AD/AS diagram to show the effect of this policy on the economy.

1. Latvia is suffering from high inflation. Lawmakers want to use **fiscal policy** to lower prices and help keep things affordable.
   1. In order to do this, they should use (circle one):

Expansionary fiscal policy

Contractionary fiscal policy

* 1. This means \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increasing/decreasing) **taxes**
  2. and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increasing/decreasing) **government spending**.
  3. This could potentially cause an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increase/decrease) in the **government debt**
  4. Draw an AD/AS diagram to show the effect of this policy on the economy.

1. Nepal is suffering from high inflation. Lawmakers want to use **monetary policy** to lower prices and help keep things affordable.
   1. In order to do this, they should use (circle one):

Expansionary monetary policy

Contractionary monetary policy

* 1. This means \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increasing/decreasing) **the money supply**
  2. In order to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increase/decrease) **interest rates.**
  3. Draw a money market showing this policy in action.
  4. Draw an AD/AS diagram to show the effect of this policy on the economy.

1. Mali is suffering from low economic growth. Lawmakers want to use **monetary policy** to increase economic growth and create jobs.
   1. In order to do this, they should use (circle one):

Expansionary monetary policy

Contractionary monetary policy

* 1. This means \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increasing/decreasing) **the money supply**
  2. In order to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (increase/decrease) **interest rates.**
  3. Draw a money market showing this policy in action.
  4. Draw an AD/AS diagram to show the effect of this policy on the economy.