

# MONETARY POLICY

## Knowledge test

### 1. Fill in the gaps with the appropriate words.

Modern central banks influence economic developments by steering a short-term interest rate.

This rate is also referred to as the \_\_\_\_\_, because it serves as an important indicator for the economy. Central banks use this interest rate to influence \_\_\_\_\_ and \_\_\_\_\_.

### 2. Which statements are correct? Which are not? Please briefly explain your answer.

- All occurrences – besides past events and monetary policy effects – that have either a positive or negative impact on the economy can be exactly determined.

\_\_\_\_\_

- Discrepancies may arise between the two objectives (price stability and balanced economic activity).

\_\_\_\_\_  
\_\_\_\_\_

- Inflation reacts immediately to interest rate adjustments.

\_\_\_\_\_

### 3. Explain the following key terms from Mopos in your own words.

Nominal interest rate

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Inflation

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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Knowledge test

Output gap

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Shocks

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4. Explain in a few sentences how inflation and economic activity develop if the central bank raises the interest rate – and all other conditions remain unchanged.

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