

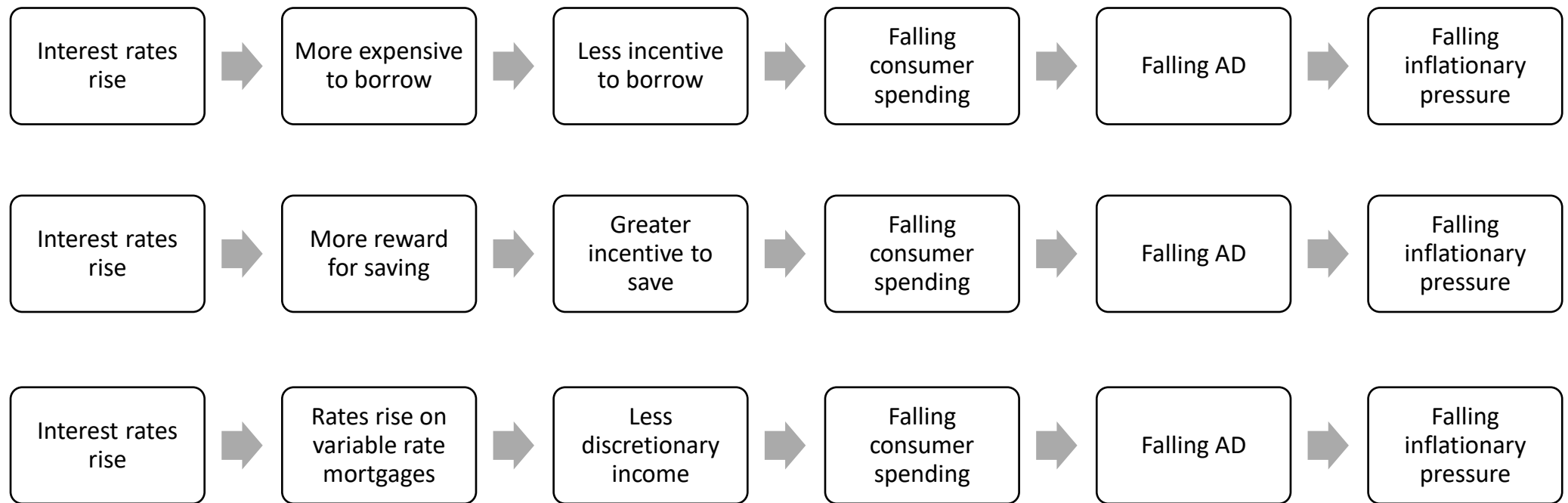
Evaluating Monetary Policy

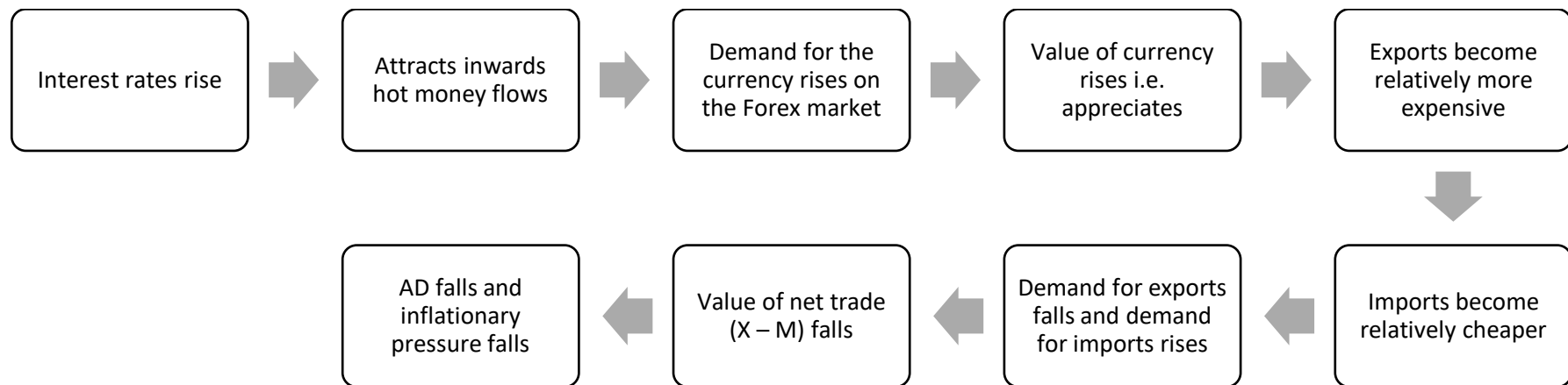
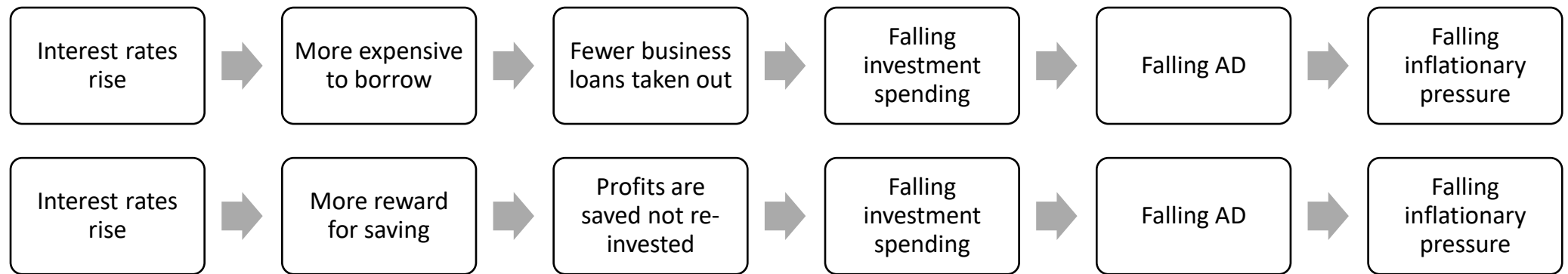
Remind yourself of the meaning of these key terms:

Central Bank	
Inflation Target	
Symmetrical Target	
Interest Rate	
Exchange Rate	
Money Supply	
Transmission mechanism	
Liquidity	
Expansionary	
Hot money	
Deflationary	
Bank Rate	



Here are some analytical chains explaining how the monetary policy transmission mechanism works. Note down some ways in which these chains might be “broken”





Write an analytical paragraph explaining how, in theory, a fall in the interest rate should cause the general price level to increase

Evaluate why, in practice, a fall in the interest rate may not cause the general price level to increase



Unconventional Monetary Policy

Briefly outline why unconventional monetary policy measures have been needed in recent years:

Briefly explain what is meant by each of the following types of unconventional monetary policy

Quantitative Easing	
Forward Guidance	
Negative Interest Rates	
Qualitative Easing	
Credit Easing	

Complete the following table:

Type of monetary policy	Strengths	Weaknesses
QE		



Forward Guidance		
Negative Interest Rates		

"It Depends On"

Outline some “depends on” factors that influence the effectiveness of changes in the interest rate:

- •
•
•
•
•

On a separate piece of paper, have a go at writing a few “analytical chains” to explain a few of these “depends on” factors. There is an example in the video to help you.

Briefly outline other key evaluation points relating to monetary policy

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

Explain why changes in the interest rate in a developing economy may have little effect:

[illegible]