

Monetary Policy Activity 2

Name _____

As you read each situation, answer the following questions:

A. Is the problem Inflation, Unemployment (type) or no problem?

B. Should expansionary policies, contractionary policies or neither be used?

C. Government Action

Which specific **policy(ies)** should used to address the problem?

job training programs

job information

increase discount rate

decrease discount rate

increase the reserve rate

decrease the reserve rate

buy government bonds

sell government bonds

or no change in government policy

1. In the last 10 months sales of most consumer goods have decreased, causing store owners to layoff workers.

A. _____ B _____ C _____

2. Schools are experiencing a decline in enrollment, causing 40% of the teacher to lose their jobs. As a result many other people are losing their jobs as well.

A. _____ B _____ C _____

3. Production fell 17% last quarter.

A. _____ B _____ C _____

4. A recession is starting. Many people are losing jobs and reduce spending.

A. _____ B _____ C _____

5. The consumer price index rose 13% last quarter.

A. _____ B _____ C _____

6. Due to worries about future profits; businesses have released a great number of people.

A. _____ B _____ C _____

7. Because of increase of demand for consumer products, the nation is facing increasing prices for good and services.

A. _____ B _____ C _____

8. Robotics has moved into the steel industry. Many workers in the auto industry have been discharged due to their lack of skill in operating the electronic robot equipment.
A. _____ B _____ C _____
9. Because of falling wages, many gravediggers quit their jobs.
A. _____ B _____ C _____
10. Interest rates have dropped and many more consumers can buy new homes. The price of homes is rising rapidly due to greater demand.
A. _____ B _____ C _____
11. After watching television programs which portray Phoenix as a wonderful city, many people in New York quit their jobs and moved to the land of sun. Some were unable to find employment quickly.
A. _____ B _____ C _____
12. The economy is experiencing excessive demand. Everyone is employed and consumers have credit cards to use. Merchants have started to dramatically raise prices.
A. _____ B _____ C _____
13. Major layoffs occur in the electronics and auto industries due to a dramatic general decline in consumer spending. This has affected other industries as well.
A. _____ B _____ C _____
14. Because of foreign competition, many U.S. manufacturers have moved their manufacturing operations out of this country.
A. _____ B _____ C _____
15. Consumer spending has greatly decreased. According to recent surveys, people lack confidence in the economy and are afraid to spend.
A. _____ B _____ C _____
16. Worried about future rising prices, consumers increase their spending. Job opening increase as production orders rise.
A. _____ B _____ C _____