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MONETARY AND FISCAL
POLICY

1. The Federal Reserve has decided to increase the federal funds rate (the interest rate that banks charge each other for overnight loans). To implement this policy, the Federal Reserve will most likely:
 - (A) sell government securities in the open market.
 - (B) increase currency exchange rates (cause domestic currency to appreciate).
 - (C) set a lower price on Treasury bills and notes that it is auctioning.
2. Assume the Federal Reserve purchases \$1 billion of securities in the open market. What is the maximum increase in the money supply that can result from this action, if the required reserve ratio is 15%?
 - (A) \$850 million.
 - (B) \$1.00 billion.
 - (C) \$6.67 billion.
3. If a country's economy is growing at an unsustainably rapid rate and the central bank decreases its target overnight interest rate, the country's:
 - (A) expected rate of inflation is likely to decline.
 - (B) inflation rate is likely to increase.
 - (C) long-term rate of economic growth will increase.
4. The amount of money a commercial bank has available to lend is known as:
 - (A) excess reserves.
 - (B) required reserves.
 - (C) fractional reserves.
5. Which of the following fiscal and monetary policy scenarios is most likely to increase the size of the public sector relative to the private sector?
 - (A) Contractionary fiscal and monetary policy.
 - (B) Expansionary fiscal policy and contractionary monetary policy.
 - (C) Expansionary monetary policy and contractionary fiscal policy.
6. The time it takes for policy makers to enact a fiscal policy action is best described as:
 - (A) action lag.
 - (B) implementation lag.
 - (C) legislative lag.

7. Monetary policy is most accurately described as actions that influence economic activity by increasing or decreasing:
 - (A) currency exchange rates.
 - (B) the supply of money and credit.
 - (C) tax rates on income and consumption.

8. Which of the following statements best explains how automatic stabilizers work? Even without a change in fiscal policy, automatic stabilizers tend to promote:
 - (A) a budget deficit during a recession and a budget surplus during an inflationary expansion.
 - (B) a budget surplus during a recession and a budget deficit during an inflationary expansion.
 - (C) a budget deficit during a recession but do not promote a budget surplus during an inflationary expansion.

9. Which of the following is least likely a function or objective of a central bank?
 - (A) Issuing currency.
 - (B) Keeping inflation within an acceptable range.
 - (C) Lending money to government agencies.

10. A country is experiencing a core inflation rate of 7% during a recessionary period of real GDP growth. If the central bank has a single mandate to achieve price stability and uses inflation targeting with an acceptable range of zero to 4%, its monetary policy response is most likely to decrease:
 - (A) GDP growth in the short run.
 - (B) short-term interest rates.
 - (C) the foreign exchange value of the country's currency.

11. Which of the following is the most accurate definition of the velocity of money? The velocity of money is the:
 - (A) money supply of a country divided by its price level.
 - (B) GDP of a country divided by its price level.
 - (C) GDP of a country divided by its money supply.

12. Central banks pursuing expansionary policies may:
 - (A) decrease the policy rate and make open market purchases of securities.
 - (B) decrease the policy rate and make open market sales of securities.
 - (C) increase the policy rate and make open market purchases of securities.

13. A central bank is said to have credibility if:
 - (A) it issues inflation reports monthly.
 - (B) economic actors base decisions on the central bank's stated inflation targets.
 - (C) it determines both the policy rate and the method for computing the inflation rate.

14. The velocity of transactions in an economy has been increasing rapidly for the past seven years. Over the same time period, the economy has experienced minimal growth in real output. According to the equation of exchange, inflation over the last seven years has:
- (A) been minimal, consistent with the slow growth in real output.
 - (B) increased more than the growth in the money supply.
 - (C) increased at a rate similar to the growth rate in the money supply.
15. A central bank follows an inflation targeting monetary policy. If the permissible band is plus-or-minus 2% around the target inflation rate, the central bank is most likely to choose a target inflation rate of:
- (A) 0%.
 - (B) 1%.
 - (C) 3%.
16. An example of a contractionary fiscal policy change is a(n):
- (A) decrease in a fiscal surplus.
 - (B) increase in a fiscal surplus.
 - (C) increase in a fiscal deficit.
17. When additional or excess reserves are injected into the U.S. banking system, the money supply can potentially increase by an amount equal to the additional excess reserves multiplied by which of the following?
- (A) Reciprocal of one minus the required reserve ratio.
 - (B) Reciprocal of the required reserve ratio.
 - (C) Required reserve ratio.
18. If a central bank's targeted inflation rate is above the current rate, the central bank is most likely to:
- (A) increase the reserve requirement.
 - (B) increase the overnight lending rate.
 - (C) buy government securities.
19. Which of the following conditions is difficult for monetary policy to address because a central bank cannot reduce its nominal policy rate much below zero?
- (A) Deflation.
 - (B) Inflation.
 - (C) Stagflation.
20. Which of the following statements about achieving proper timing in fiscal policy is least accurate?
- (A) Improvements in quantitative methods have made the occurrence of recessions or expansions quite predictable.
 - (B) Policy errors are inevitable due to unpredictable events.
 - (C) There is usually a time lag between when a change in policy is needed and when the need is recognized by policy makers.

21. An economy's long-term trend rate of real GDP growth is 3% and the central bank's target inflation rate is 2%. If the policy rate is 6%, monetary policy is:
- (A) contractionary.
 - (B) expansionary.
 - (C) neutral.
22. Which of the following statements best explains the importance of the timing of changes in discretionary fiscal policy? Changes in discretionary fiscal policy must be timed properly if they are going to:
- (A) enable the government to control the money supply.
 - (B) exert a stabilizing influence on an economy.
 - (C) help the government achieve a balanced budget.
23. A government that is implementing a contractionary fiscal policy is most likely to:
- (A) increase spending on public works.
 - (B) decrease income tax rates.
 - (C) decrease transfer payments to households.
24. Central banks are most likely to pursue a target inflation rate:
- (A) between 2% and 3%.
 - (B) equal to 0%.
 - (C) between 0% and 2%.
25. Which of the following statements regarding the monetary policy transmission mechanism is most accurate?
- Central banks can control short-term interest rates by increasing the money
- (A) supply to increase interest rates or by decreasing the money supply to decrease interest rates.
 - (B) Central banks can control long-term interest rates directly because decisions by consumers and businesses are based on these rates.
 - (C) Central banks can control short-term interest rates directly, but long-term interest rates are beyond their control.
26. Banks choose to hold a higher percentage of deposits as reserves because they believe general business conditions in the economy are subject to greater uncertainty. If all else is held constant, what is the most likely impact of this action?
- (A) The money supply will decrease.
 - (B) There will be no effect on the money supply.
 - (C) The money supply will increase during a period of inflation, but will decrease if the economy goes into a recession.

27. An analyst has determined the projected trend rate of real GDP growth is 2.5% and the central bank's inflation target is 2.5%. If the central bank policy rate is 5.0%, monetary policy is most likely:
- (A) neutral.
 - (B) expansionary.
 - (C) contractionary.
28. Silvano Jimenez, an analyst at Banco del Rey, is reviewing recent actions taken by the U.S. Federal Reserve (the Fed) in setting monetary policy. Recently, the Fed decided to increase the money supply, which has resulted in a decrease in real interest rates. At a staff meeting, Jimenez brings this matter to the attention of his colleagues and makes the following statements:
- Statement 1:** Although the money supply increase has led to a decrease in real interest rates, we should begin to see U.S. investors decrease their investments abroad and the U.S. dollar will appreciate in the foreign exchange market.
- Statement 2:** The Fed's increase in the money supply will increase the amount of imports into the U.S.
- Are Statement 1 and Statement 2 as made by Jimenez CORRECT?
- | | Statement 1 | Statement 2 |
|-----|-------------|-------------|
| (A) | Correct | Incorrect |
| (B) | Incorrect | Correct |
| (C) | Incorrect | Incorrect |
29. Assume the U.S. economy is undergoing a recession. In its efforts to stimulate the economy by trying to influence short-term interest rates the Fed is most likely to take which two actions?
- (A) Buy Treasury securities and decrease bank reserve requirements.
 - (B) Sell Treasury securities and decrease bank reserve requirements.
 - (C) Sell Treasury securities and increase bank reserve requirements.
30. Attempting to influence economic growth and inflation by changing tax rates and government spending is best described as:
- (A) monetary policy.
 - (B) fiscal policy.
 - (C) a combination of fiscal and monetary policy.
31. If a central bank implements an exchange rate targeting policy successfully, the country's inflation rate is most likely to be:
- (A) the same as that of the target currency.
 - (B) greater than that of the target currency.
 - (C) less than that of the target currency.

32. Discretionary fiscal policy refers to:
- (A) buying or selling securities in the open market to influence interest rates.
 - (B) government spending programs that counteract the business cycle without the intervention of policymakers.
 - (C) active decisions regarding spending and taxing to affect economic growth.
33. Which of the following is the most likely result of a central bank's shift to an expansionary monetary policy?
- (A) Domestic currency appreciates.
 - (B) Exports increase.
 - (C) Interest rates increase.
34. An individual has just purchased a home by taking on a 30-year fixed rate mortgage. She would benefit most from this transaction if future inflation rates are:
- (A) higher than anticipated.
 - (B) exactly as anticipated.
 - (C) lower than anticipated.
35. If the Federal Reserve wishes to lower market interest rates without changing the discount rate, it can:
- (A) buy Treasury securities.
 - (B) increase bank reserve requirements.
 - (C) raise the yield on Treasury securities.
36. Xanadu attempts to decrease its inflation rate by implementing contractionary monetary policy. Which of the following is most likely to be the long-run effect on Xanadu's trade balance as a result of the monetary policy change?
- (A) Improve.
 - (B) Worsen.
 - (C) Remain the same.
37. Arguments for being concerned about the size of a fiscal deficit least likely include:
- (A) a reduction in long-term economic growth.
 - (B) Ricardian equivalence.
 - (C) the crowding-out effect.
38. To determine whether monetary policy is expansionary or contractionary, an analyst should compare the central bank's policy rate to the:
- (A) neutral interest rate.
 - (B) target inflation rate.
 - (C) trend rate of real growth.

39. Promoting economic growth and price stability are the goals of:
- (A) fiscal policy, but not monetary policy.
 - (B) both fiscal and monetary policy.
 - (C) monetary policy, but not fiscal policy.
40. Arguments against being concerned about the size of a fiscal deficit include:
- (A) higher future taxes.
 - (B) Ricardian equivalence.
 - (C) the crowding-out effect.
41. According to the quantity theory of money, the most appropriate means to combat inflation is to:
- (A) increase the excess reserves of banks.
 - (B) reduce the velocity of money.
 - (C) reduce the money supply.
42. The Fisher effect holds that a nominal rate of interest equals a real interest rate:
- (A) plus the expected inflation rate.
 - (B) plus the observed inflation rate.
 - (C) minus the observed inflation rate.
43. Which of the following statements regarding money demand and supply is /east accurate?
- (A) The supply curve for money is vertical.
 - (B) The supply of money is determined by the monetary authority and is not affected by changes in interest rates.
 - (C) As the Fed reduces the money supply, short-term interest rates decrease.
44. A distinction between fiscal policy and monetary policy is that fiscal policy:
- (A) is typically expansionary, while monetary policy is typically contractionary.
 - (B) is aimed at promoting economic growth, while monetary policy is aimed at promoting price stability.
 - (C) concerns taxes and government spending, while monetary policy concerns the money supply.
45. Which of the following statements about the demand for and supply of money is least accurate?
- (A) As the interest rate rises, the supply of money also rises.
 - (B) As gross domestic product rises, the demand for money balances also rises.
 - (C) As inflation rises, the demand for money by households and businesses also rises.

46. Which of the following is least likely to be a function of the central bank?
- (A) Collect tax payments.
 - (B) Regulate the banking system.
 - (C) Issue currency.
47. Assuming the economy currently is experiencing high inflation, an example of appropriate discretionary fiscal policy is:
- (A) increase the federal funds target rate.
 - (B) reduce government expenditures on major government construction projects.
 - (C) reduce the money supply.
48. If the money interest rate is measured on the y-axis and the quantity of money is measured on the x-axis, the money supply curve is:
- (A) downward sloping to the lower right.
 - (B) upward sloping to the upper right.
 - (C) vertical.
49. The supply of money is primarily determined by:
- (A) inflation.
 - (B) interest rates.
 - (C) the monetary authorities.
50. Unemployment compensation is an example of:
- (A) an automatic fiscal policy stabilizer.
 - (B) an automatic monetary policy stabilizer.
 - (C) a discretionary fiscal policy stabilizer.
51. An argument against being concerned with the size of a fiscal deficit is that a deficit can:
- (A) cause government borrowing to crowd out private borrowing.
 - (B) lead to higher future taxes that will increase government revenues.
 - (C) aid in increasing GDP and employment if the economy is operating at less than potential GDP.
52. The crowding-out effect suggests that:
- (A) government borrowing will lead to an increase in private savings.
 - (B) as government spending increases, so will incomes and taxes, and the higher taxes will reduce both aggregate demand and output.
 - (C) greater government deficits will drive up interest rates, thereby reducing private investment.

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53. On January 5, the U.S. Federal Reserve (the Fed) bought \$10,000,000 of U.S. Treasury securities in the open market. At the time, the reserve requirement was 25%, and all banks had zero excess reserves. What is the potential impact of the Fed's purchase on the U.S. money supply?
- (A) \$10,000,000 increase.
 - (B) \$25,000,000 decrease.
 - (C) \$40,000,000 increase.
54. According to the Fisher effect, which of the following interest rates includes a premium for the expected rate of inflation?
- (A) Yields on long-term corporate debt, but not yields on short-term government debt.
 - (B) Both yields on short-term government debt and yields on long-term corporate debt.
 - (C) Neither yields on short-term government debt nor yields on long-term corporate debt.
55. Frequent changes in advertised prices are one of the costs of:
- (A) unexpected inflation only.
 - (B) expected inflation only.
 - (C) both expected and unexpected inflation.
56. If households and firms are holding larger real money balances than they desire:
- (A) the interest rate is higher than its equilibrium rate.
 - (B) the opportunity cost of holding money balances is likely to increase.
 - (C) the central bank must sell securities to absorb the excess money supply and establish equilibrium.
57. Central banks that are able to define how inflation is computed and determine its desired level are best described as having:
- (A) operational independence.
 - (B) target independence.
 - (C) transparency.
58. Policies used with the goal of maintaining stable prices and producing economic growth include:
- (A) monetary policy only.
 - (B) both fiscal policy and monetary policy.
 - (C) fiscal policy only.

59. Contractionary monetary policy is least likely to decrease consumption spending by decreasing:
- (A) expectations for economic growth.
 - (B) securities prices.
 - (C) the foreign exchange value of the currency.
60. Assuming the federal government maintains a balanced budget, the most likely effects of a tax increase on government expenditures and real GDP are:
- | <u>Government</u> | <u>Real GDP</u> |
|---------------------|-----------------|
| <u>Expenditures</u> | |
| (A) Decrease | Decrease |
| (B) Increase | Decrease |
| (C) Increase | Increase |
61. When comparing a barter economy with an economy that uses money as a medium of exchange we would expect increased efficiencies due to a reduction in which of the following?
- (A) Nominal interest rates.
 - (B) The need to specialize.
 - (C) Transaction costs.
62. If a monetary policy is focused on combating inflation, which open market actions by the Federal Reserve will most effectively accomplish this?
- (A) Sell Treasury securities, causing aggregate demand to increase.
 - (B) Purchase Treasury securities, causing aggregate demand to decrease.
 - (C) Sell Treasury securities, causing aggregate demand to decrease.
63. The most likely reason for deflation to persist despite expansionary monetary policy is:
- (A) a liquidity trap.
 - (B) bond market vigilantes.
 - (C) inelastic demand for money.
64. Which one of the following Federal Reserve monetary policies, when pursued in line with the U.S. government's fiscal policies, would help increase aggregate demand during a period of high unemployment?
- (A) An increase in the reserve requirements for financial institutions.
 - (B) A decrease in the discount rate.
 - (C) The sale of bonds by the Fed.

65. Which of the following statements about the demand and supply of money is most accurate? People who are:
- (A) buying bonds to reduce their money balances will increase the demand for bonds with an associated increase in interest rates.
 - (B) holding money when interest rates are higher will try to reduce their money balances and, as a result, the demand for money decreases.
 - (C) holding money when interest rates are lower will try to increase their money balances and, as a result, the supply of money increases.
66. A central bank that wants to increase short-term interest rates is most likely to:
- (A) issue long-term bonds.
 - (B) decrease bank reserve requirements.
 - (C) sell government securities.
67. When an economy dips into a recession, automatic stabilizers will tend to alter government spending and taxation so as to:
- (A) reduce interest rates, thus stimulating aggregate demand.
 - (B) reduce the budget deficit (or increase the surplus).
 - (C) enlarge the budget deficit (or reduce the surplus).
68. Policies that can be used as tools for redistribution of wealth and income include:
- (A) both fiscal policy and monetary policy.
 - (B) fiscal policy only.
 - (C) monetary policy only.
69. A central bank has operational independence if it can independently determine:
- (A) how inflation is calculated.
 - (B) the horizon over which to achieve its inflation target.
 - (C) the policy rate.
70. What are the three essential qualities an effective central bank should possess?
- (A) Independence, credibility, and transparency.
 - (B) Transparency, independence, and consistency.
 - (C) Credibility, relevance, and reliability.
71. Assume that the required reserve ratio is 20%, and banks currently have no excess reserves. If the Federal Reserve then buys \$100 million of Treasury bills from the banks, the money supply could potentially increase by:
- (A) \$20 million.
 - (B) \$100 million.
 - (C) \$500 million.

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72. If a bank receives a deposit of \$1 million in cash which has been held outside the banking system and the reserve requirement is 10%, the maximum increase in the money supply that could result is:
- (A) \$100,000.
 - (B) \$900,000.
 - (C) \$10,000,000.
73. The government budget deficit of Country M is increasing. At the same time, the government budget surplus of Country N is decreasing. Are the fiscal policies of these countries expansionary or contractionary?
- (A) Both are contractionary.
 - (B) Both are expansionary.
 - (C) One is expansionary and one is contractionary.
74. If a bank needs to borrow funds from the Federal Reserve to fund a temporary shortage in reserves, it would borrow funds at the:
- (A) discount rate.
 - (B) prime rate.
 - (C) federal funds rate.
75. Money functions as a store of value because:
- (A) money is accepted as the form of payment for goods.
 - (B) money received for work or goods can be saved to purchase goods or services in the future.
 - (C) prices of goods and services are expressed in units of money.
76. When the Federal Reserve sells government securities on the open market, bank reserves are:
- (A) decreased, which reduces the amount of money banks are able to lend, causing a decrease in the federal funds rate.
 - (B) decreased, which reduces the amount of money banks are able to lend, causing an increase in the federal funds rate.
 - (C) Increased, which increases the amount of money banks are able to lend, causing a decrease in the federal funds rate.
77. The demand for money curve represents the relationship between the quantity of money demanded and:
- (a) the price level.
 - (b) the quantity of money supplied.
 - (c) short-term interest rates.

78. The term "automatic stabilizers" refers to:
 changes in taxes and expenditure programs legislators automatically enact in
- (A) response to changes the level of economic activity in order to smooth economic cycles.
 - (B) increases in transfer payments and decreases in tax revenues that result from an economic contraction without new legislation.
 government expenditures and tax receipts that are required to balance over the
 - (C) course of the business cycle, although they may be out of balance in any single year.
79. The primary objective of a central bank is typically to:
- (A) control inflation.
 - (B) achieve full employment.
 - (C) stabilize exchange rates.
80. Robert Necco and Nelson Packard are economists at Economic Research Associates. ERA asks Necco and Packard for their opinions about the effects of fiscal policy on real GDP for an economy currently experiencing a recession. Necco states that real GDP is likely to increase if both government spending and taxes are increased by the same amount. Packard states that if both government spending and taxes are increased by the same amount, there is no expected net effect on real GDP.
 Are the statements made by Necco and Packard CORRECT?
- | | Necco | Packard |
|-----|-----------|-----------|
| (A) | Correct | Incorrect |
| (B) | Incorrect | Correct |
| (C) | Incorrect | Incorrect |
81. Money serves as a unit of account because:
- (A) money is accepted as the form of payment for goods.
 - (B) money received for work or goods can be saved to purchase goods or services in the future.
 - (C) prices of goods and services are expressed in units of money.
82. Assume that the long-term equilibrium money market interest rate is 4% and the current money market interest rate is 3%. At this current rate of 3%, there will be an excess:
- (A) supply of money in the money market, and investors will tend to be net buyers of securities.
 - (B) demand for money in the money market, and investors will tend to be net sellers of securities.
 - (C) demand for money in the money market, and investors will tend to be net buyers of securities.

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83. The three reasons for holding money are most accurately described as:
- (A) broad money demand, narrow money demand, and transaction demand.
 - (B) narrow money demand, precautionary demand, and speculative demand.
 - (C) transaction demand, precautionary demand, and speculative demand.
84. Arguments for being concerned with the size of a fiscal deficit relative to GDP least likely include:
- (A) a likely need for higher future taxes.
 - (B) higher interest rates due to government borrowing.
 - (C) a high proportion of government debt owed to the country's citizens.
85. The Fisher effect describes the relationship between:
- (A) expected and unexpected inflation.
 - (B) money supply growth and actual inflation.
 - (C) nominal and real interest rates.
86. Compared to the costs of inflation that is unexpected, costs of inflation that is correctly anticipated are most likely to be:
- (A) equally severe.
 - (B) less severe.
 - (C) more severe.
87. The country of Zerkistan is experiencing both high interest rates and high inflation. The government passes laws that reduce government spending and increase taxes. It takes many months before interest rates fall and inflation is reduced. This is an example of:
- (A) recognition lag in discretionary fiscal policy.
 - (B) impact lag in discretionary fiscal policy.
 - (C) action lag and automatic stabilizers.
88. The open market sale of Treasury securities by the Federal Reserve is least likely to result in:
- (a) increased exports of U.S. goods.
 - (b) increased longer-term interest rates.
 - (c) a decreased rate of inflation
89. Which of the following statements about the relationship between interest rates and the demand for and supply of money is most accurate? Interest rates affect:
- (A) the supply of money only.
 - (B) the demand for money only.
 - (C) both the demand for and supply of money.

90. Which of the following policy tools is the least likely to be available to the U.S. Federal Reserve Board?
- (A) Setting the discount rate at which banks can borrow from the Federal Reserve.
 - (B) Requiring the banking system to tighten or loosen its credit policies.
 - (C) Buying and selling Treasury securities in the open market.
91. The crowding-out model implies that a:
- (A) budget deficit will increase the real interest rate and thereby retard private investment.
 - (B) budget surplus will retard aggregate demand and trigger an economic downturn.
 - (C) budget deficit will stimulate aggregate demand and trigger a multiplier effect which will lead to inflation.
92. The time it takes for a fiscal policy action to affect the economy is best described as:
- (A) action lag.
 - (B) recognition lag.
 - (C) impact lag.
93. Which of the following statements regarding U.S. Federal Reserve open market operations is least accurate?
- (A) If the Fed wants to stimulate the economy, it will sell Treasury securities to banks.
 - (B) When the Fed buys Treasury securities, short-term interest rates will generally decrease.
 - (C) When the Fed sells Treasury securities, excess reserves decrease.
94. Which of the following relationships in regard to the quantity theory of money is least accurate?
- (A) $\text{Money} \times \text{Velocity} = \text{Money Supply} \times \text{Velocity}$.
 - (B) $\text{Nominal GDP} = \text{Money Supply} \times \text{Velocity} = \text{Price} \times \text{Real Output}$.
 - (C) $\text{Nominal GDP} = \text{Price} \times \text{Money Supply}$.
95. The government is reducing its spending to balance the budget, while the central bank is lowering its official policy rate. What will most likely be the combined effect on the economy?
- (A) The private sector as a percentage of GDP will increase.
 - (B) The public and private sectors as a percentage of GDP will neither decrease nor increase.
 - (C) The public sector as a percentage of GDP will increase.
96. If the U.S. Federal Reserve decides to decrease the money supply, which of the following is most likely to occur in the short run?
- (A) An increase in the real rate of interest.
 - (B) A decrease in the unemployment rate.
 - (C) An increase in the velocity of money similar to decrease in the money supply.

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97. Which of the following is determined by the equilibrium between the demand for money and the supply of money?
- (A) Money supply.
 - (B) Inflation rate.
 - (C) Interest rate.
98. The time it takes for policy makers to determine that the economy requires a fiscal policy action is best described as:
- (A) impact lag.
 - (B) recognition lag.
 - (C) action lag.
99. When the central bank increases short-term interest rates, its monetary policy is best described as:
- (A) contractionary.
 - (B) accommodative.
 - (C) expansionary.
100. Which of the following is currently the most-used target for central banks?
- (A) Inflation targeting.
 - (B) Money supply targeting.
 - (C) Interest rate targeting.

