Monetary Policy

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| **Across****2.** According to Keynes theory the interest rate adjusts to bring the quantity of money supplied and the quantity of money demanded into balance, this is know as \_\_\_\_\_ in the money market**3.** What effect tends to amplify the effects of fiscal policy on aggregate demand?**6.** Other than government purchases, what is an important instrument of fiscal policy?**10.** Who controls the supply of money? **11.** In what type of budget is the total sum of money received by a government equal to the amount it spends | **Down****1.** Keynes proposed a theory known as the 'Theory of \_\_\_\_\_\_\_\_\_ Preference' to explain what factors determine an economy's interest rates**4.** The reduction in aggregate demand that results when a fiscal expansion raises the interest rate is known as the \_\_\_\_\_\_ effect**5.** What rates effect investors money overseas and domestically? **7.** Collective demand by combining multiple elements**8.** Regarding the influences of monetary policy, a lower price level raises the real value of household holdings and higher real wealth stimulates consumer spending. What effect is this?**9.** Automatic \_\_\_\_\_ are changes in fiscal policy that stimulate aggregate demand when the economy goes into a recession without policy makers having to take any deliberate action  |