

MONETARY ECONOMICS – STAGE-III
ISQ Examination (Summer-2010)

- Q.1** Please write the alphabet of the selected choice in the answer column:
- Q.2** Whenever prices start accelerating, investors often worry about the negative implications of inflation. Briefly explain how inflation negatively impacts investment and what can be done to avoid its negative effects?
- Q.3** Monetary policies are primarily aimed at controlling price inflation. However, there is one school of thought which believes that central bank policies are less effective in controlling food inflation. You are required to explain as to why State Bank of Pakistan's monetary policy is considered less effective in controlling food inflation.
- Q.4** What do we mean by central bank autonomy? Please explain why central bank autonomy is considered important for the efficacy of monetary policy?
- Q.5** In recent times, we observe a surge in oil prices. What are its implications for the conduct of monetary policy?
- Q.6** Define transmission mechanism of monetary policy. Explain in detail the interest rate channel of monetary policy.
- Q.7** Recently, State Bank of Pakistan has adopted a new framework for its monetary operations. Explain the drawbacks of the old framework and the rationale behind the adoption of an alternate framework of its monetary operations.
- Q.8** What do we mean by financial crisis? What are the channels through which the recent financial turmoil affected the Asian economies? Briefly explain its impact on Pakistan's economy.
- Q.9** As per the monetary policy statement of SBP issued in January 2010, there are certain risks to macroeconomic stability. What are the key risks to macroeconomic stability as identified by the said policy statement? Suggest remedial measures for improving macroeconomic conditions?
