


Name: _____

Team: _____

Unit 4: Money and Monetary Policy

Money Market	Three Functions of Money
<p>Draw S&D of Money and Equilibrium Interest Rate</p> 	<ol style="list-style-type: none"> 1. 2. 3.
	Types of Money
	<ol style="list-style-type: none"> 1. Commodity Money 2. Fiat Money
Shifters of Money Demand	Shifters of Money Supply (The FED)
<ol style="list-style-type: none"> 1. 2. 3. 	<ol style="list-style-type: none"> 1. 2. 3.
Money Multiplier Practice	Shifter Practice
<ol style="list-style-type: none"> 1. Assume the reserve requirement is .10. If the Fed buys \$10 billion worth of bonds the money supply will _____ by _____ billion. 2. Assume the reserve requirement is .20. If the Fed sells \$10 billion worth of bonds the money supply will _____ by _____ billion. 3. Assume the reserve requirement is .10. If the Fed buys \$5 billion worth of bonds the money supply will _____ by _____ billion. 4. Assume the reserve requirement is .50. If the Fed sells \$5 billion worth of bonds the money supply will _____ by _____ billion. 4. Assume the reserve requirement is .25. If the Fed sells \$2 billion worth of bonds the money supply will _____ by _____ billion. 	<ol style="list-style-type: none"> 1. If the FED increases the reserve requirement the money supply will _____ and interest rates _____. 2. If the FED sells bonds the money supply will _____ interest rates _____, and investment _____. 3. If the FED decreases the reserve requirement the money supply will _____ and interest rates _____. 4. If the FED decreases the discount rate, the money supply will _____ and interest rates _____. 5. If the FED buys bonds the money supply will _____ interest rates _____, and investment _____.
	Federal Funds Rate
	Federal Funds Rate

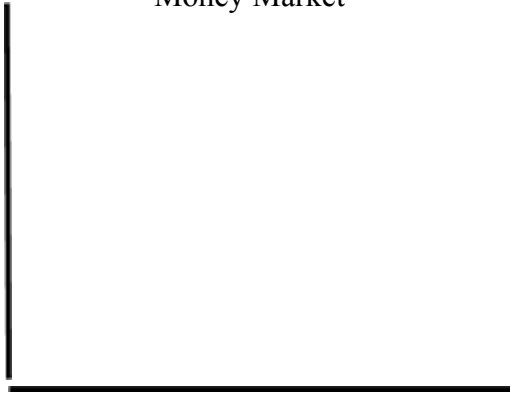
Name: _____

Team: _____

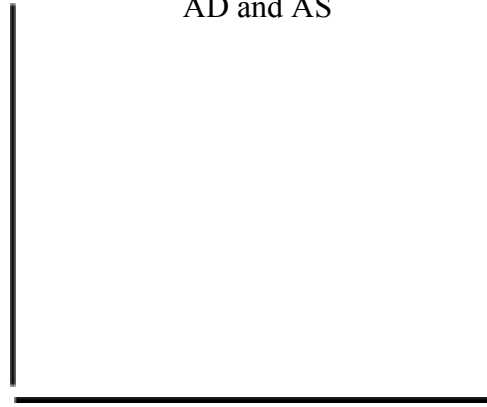
Monetary Policy and AD/AS

Assume the country is in a recession. Use the money market graph to show how the FED closes the recessionary gap using monetary policy

Money Market



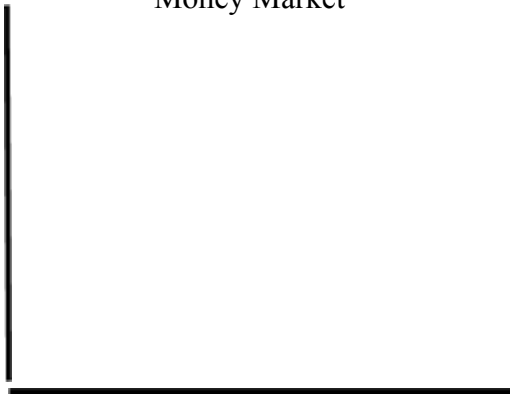
AD and AS



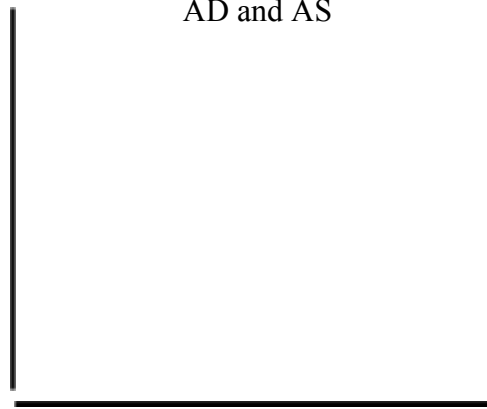
Use arrows to explain the process:

Assume an inflationary gap. Use the money market graph to show how the FED closes the inflationary gap using monetary policy

Money Market



AD and AS



Use arrows to explain the process:

Loanable Funds



Shifters of Demand for Loanable Funds

Shifters of Supply for Loanable Funds

1. What happens to the real interest rate if the government begins to deficit spend?
2. If lenders decide to lend less, real interest rates ____, investment ____, and economic growth ____

Name: _____

Team: _____

1. Explain why a small increase in bank deposits cause a larger increase in the money supply and identify the equation for the Money Multiplier?

2. EXPLAIN the three tools of monetary policy and identify how each increase or decreases the M_s .
 - a. Reserve Requirement-

 - b. The Discount Rate-

 - c. Open Market Operations-

4. Draw three graphs below and show the effect of an increase in Money Supply

Money Market

Investment Market

AD/AS

5. Draw three graphs below and show the effect of a decrease in Money Supply

Money Market

Investment Market

AD/AS

Name: _____

Team: _____

	Fiscal Policy	Monetary Policy
What is it?		
Who does it?		
Specific Tools		
Problems with Policy		
Expansionary Policies	Recessionary Gap Process=	Recessionary Gap Process=
Contractionary Policies	Inflationary Gap Process=	Inflationary Gap Process=

Name: _____

Team: _____