

Econ 231 - Macroeconomics - Homework N8
6 points total.

PRINT YOUR NAME _____

N1 (0.5 points) Bank INF has \$500 in total deposits and holds \$20 in required reserves. What is the bank's required reserves ratio? **Show all your calculations.**

N2 (0.5 points) Suppose bank's deposits increase by \$5 million. If the required reserve ratio is 3%, the bank's required reserves will increase by _____. **Show all your calculations.**

N3 (1 point) Suppose Joe is digging around in his basement and finds \$1,000 hidden behind a wall. Assume that Joe takes the \$1,000 and deposits it in his bank. Assume also that banks hold no excess reserves, people hold no currency, and the required reserve ratio is 2%. When Joe deposits the \$1,000 in his bank:

- a) How much in loans the bank can create (give the \$-amount) right out of the deposit?
- b) What will be the overall effect of this deposit on Money Supply (show the multiplier effect)?

For every sub-question you must show all the required calculations.

N4 (1 point) Suppose the required reserve ratio is 5% and banks hold no excess reserves. If an individual withdraws \$10 million from bank ZIP, what will happen to the Money Supply in the country (show the multiplier effect)? **Show all your calculations.**

N5 (0.5 points) How are Treasury bonds prices affected when the interest rates in the economy rise?

- a. Treasury bonds prices do not change
- b. Treasury bonds prices fall
- c. Treasury bonds prices raise
- d. There is no relationship between the interest rates and Treasury bonds prices.

N6 (0.5 point) The “Fed” is the nickname for

- a. Federal Bureau of Investigation
- b. The presidency
- c. The U.S. Treasury
- d. The U.S. central bank

N7 (0.5 points) If you move some of your money holdings from your Money Market account to your Time deposit, then which monetary aggregate will be affected: M1 or M2, or both, or neither? _____

And if it does, will its value increase or decrease? _____

N8 (0.5 points) If you move some of your cash holdings from your checking account to your Money Market account, then which monetary aggregate will be affected: M1 or M2, or both, or neither? _____

And if it does, will its value increase or decrease? _____

N9 (0.5 points) If you move some of your cash from your checking account to your pocket, then which monetary aggregate will be affected: M1 or M2, or both, or neither? _____

And if it does, will its value increase or decrease? _____

N 10 (0.5 points) If you move some of your money holdings from your Money Market Mutual Fund account to your pocket, then which monetary aggregate will be affected: M1 or M2, or both, or neither? _____

And if it does, will its value increase or decrease? _____