

Name & SID:

Date:

13. Who has the ability to change the money supply?

14. The Fed raises the required reserve requirement. How does this affect money supply? Interest rates? Explain. Show graphically in question 12. Label anything new with a subscript *a*.

15. The Fed lowers the discount rate. How does this affect money supply? Interest rates? Explain. Show graphically in question 12. Label anything new with a subscript *b*.

16. The Fed buys securities (or “bonds”). How does this affect money supply? Interest rates? Explain. Show graphically in question 12. Label anything new with a subscript *c*.

17. The Fed sells securities (or “bonds”). How does this affect money supply? Interest rates? Explain. Show graphically in question 12. Label anything new with a subscript *d*.

18. Graph a typical money market in equilibrium. Label the equilibrium interest rate, r^* .