Wilf Csaplar Jr. Economics 302 Homework #6 **Due Wednesday 4/2**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (25 points) Explain $M^d = L(r, \pi^e, i^m, Y, P,$ wealth, liquidity of non-money assets, risk of non-money assets).

2) (25 points) Why would you expect the velocity of money to be constant? As the graph on Page 263 shows, V2 is relatively stable over the past half-century, but V1 has not been. What do you think caused it? Explain your logic.

3) (10 points) What is meant by "time to maturity"? How does it affect the demand for the asset? Why does it have that effect?

4) (10 points each) For each event, determine what happens to M1 and M2. Explain your logic.
A) You deposit your $50 paycheck in your savings account.
B) You take $100 cash out of your money market deposit account.
C) You take a car loan for $5000.
D) You pay $400 for a textbook with a credit card.