

The last one! If you are leaving town before class, make sure you turn it in before you leave.
There is no lab, so that Friday's class will be in Richardson 024

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. ~~Turn in the Excel file via Canvas. Place your name on an otherwise blank page of the Excel file.~~ Failure to type this assignment 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) (20 points each) For each part, tell me how the balance sheet for the Fed changes and how the balance sheet for banks as a group changes. Briefly explain why that occurs. **In that step only**, what happens to the money supply? Explain your logic.

A) The Fed buys a \$10,000 bond from a bank.

B) The bank lends out its excess reserves. (Assume they had no excess reserves to start and the lend out the excess reserves they get from Part A.)

2) (20 points each) For each event, determine what happens to the monetary base, the money multiplier, and the money supply. Explain your logic.

A) The Fed loans money to a bank.

B) People decide that they want to keep less money as cash because of increased use of credit cards and apps like Apple Pay.

3) (10 points) Is currency in circulation on the asset side of the balance sheet or on the liabilities and net worth of the balance sheet for the central bank. Explain your logic.

4) (10 points) Explain the difference between the "loans" on the left-hand side of a bank's balance sheet and the "loans" on the right-hand side of a bank's balance sheet.