Review problems

1. Assume the Federal Reserve lowered the required reserve ratio to 5%. If you deposit 20,000 dollars in your bank:
   1. What is the initial impact of your deposit to your banks reserve?
   2. What is the required reserve amount of your deposit that your bank must keep?
   3. What is the maximum change to Money supply from your deposit?
   4. What is the maximum change in deposits?
   5. Draw an Money Market graph showing the impact of the Federal Reserve actions
   6. Draw a Loanable Funds graph showing what will happen to real interest rates.
2. Assume the Federal Reserve sell 5,000 dollars worth of bonds. The required reserve is 10%
   1. What is the required reserve amount of the bond that your bank must keep?
   2. What is the maximum change to Money supply from your deposit?
   3. Draw an Money Market graph showing the impact of the Federal Reserve actions
   4. Draw a Loanable Funds graph showing what will happen to real interest rates.
3. Assume the United States has 100,000 people in the labor force with 5,000 people categorized as unemployed, a real interest rate of 3%, an nominal interest rate of 6%, and a MPC of .80
   1. Draw a SRPC with LRPC, use the relevant numbers to represent where you are on the curve.
   2. Draw an AS/AD graph showing current equilibrium.
   3. Assume the government increase spending by 200 million, how much would GDP increase by?
   4. Show on your AS/AD graph the impact on PL and Y
   5. Show what will happen to nominal interest on a Money Market graph
   6. Show what will happen to real interest rates on a Loanable Funds graph