§§5-6 MC

1. money mult $= \frac{1}{.25} = 4$

4. $\frac{\text{reserves}}{\text{deposits}} = RR$

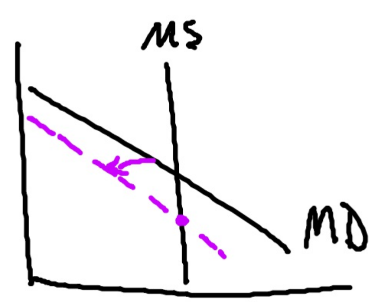
$$\frac{20}{D} = \frac{1}{4}$$

Deposits \$80,000

#8 $\frac{\$100{,}000}{0.1} = \$1$ million

#13

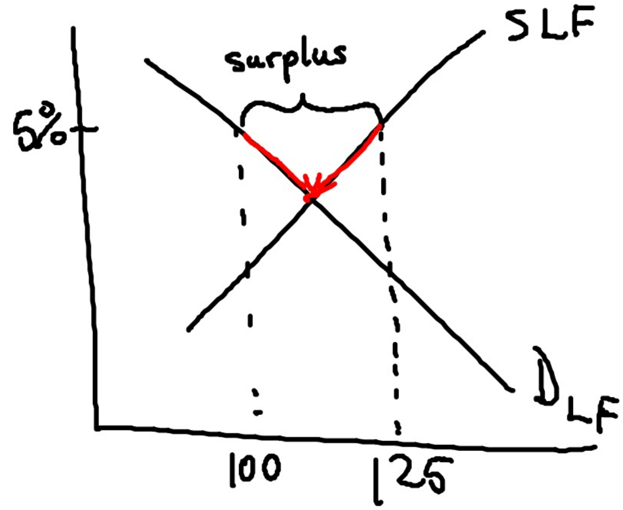
#16



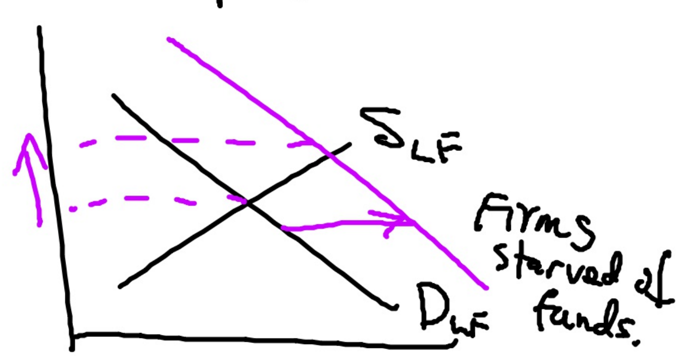
#17 real r% = 5

$Q_{demanded} = 100$

$Q_{supplied} = 125$



#18 "crowding out" – government runs a deficit, D_{LF} moves to right, interest rate rises, firms have fewer attractive projects.



#25 recessionary gap

rec. gap

① higher unemployment

more unemployment compensation (spending)

② lower earnings by firms/ employees

lower taxes for gov't

#30 inflation tax.

Ex: inflation 10%

you have cash $10,000

in one year, $10,000 will worth roughly 10% less in purchasing power

#31