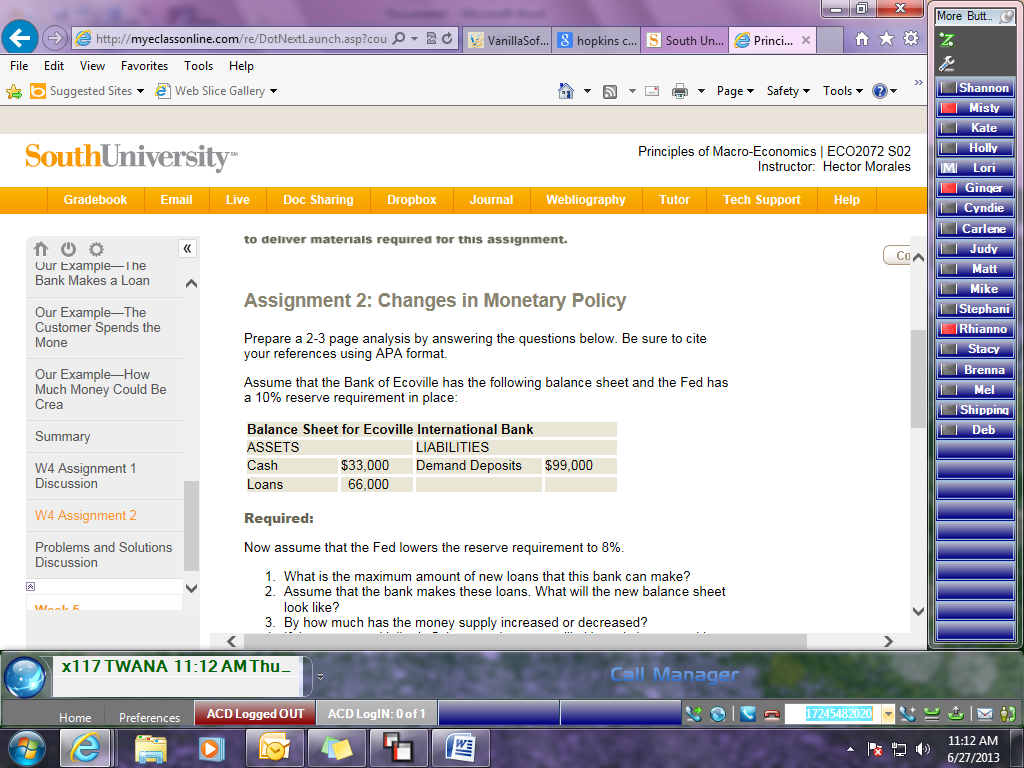
Be sure to cite your references using APA format.

Assume that the Bank of Ecoville has the following balance sheet and the Fed has a 10% reserve requirement in place:

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**Required:**

Now assume that the Fed lowers the reserve requirement to 8%.

1. What is the maximum amount of new loans that this bank can make?
2. Assume that the bank makes these loans. What will the new balance sheet look like?
3. By how much has the money supply increased or decreased?
4. If the money multiplier is 5, how much money will ultimately be created by this event?
5. If the Fed wanted to implement a contractionary monetary policy using reserve requirement, how would that work?

Address the questions above, showing your calculations.  Develop your analysis in Microsoft Excel format. Enter non-numerical responses in the same worksheet using textboxes.