**Problem 1**  
You have just inherited $100,000 from your rich uncle Sam. Being the conservative sort, you rush to your local bank and deposit the entire windfall. The reserve requirement is currently 10 percent. What is the immediate impact on the balance sheet of the bank? Mention each account affected and the appropriate amount. Also, assuming your bank lends out money to the extent allowed by law, how much will the money supply grow beyond the initial $100,000 deposit?

**Problem 2**  
Explain thoroughly why credit cards are not technically money.

**Problem 3**  
Come up with an alternative money to currency. Remember, currency is cash. Do not use any of the other forms of money, such as checks, debit cards, etc. (Also, please do not use precious metals or jewels). Justify your selection using the three characteristics of money.

**Problem 4**  
Under what circumstances might the Fed want to shrink (contract) the money supply? Be sure to relate your answer to the resulting effect on the Aggregate Demand/Aggregate Supply model.

**Problem 5**  
Assuming the Fed chooses to shrink the money supply, explain how each of the three tools would be used.

**Problem 6**  
Explain as thoroughly as you are able, the mechanism that causes a shrinking money supply to result in a change in interest rates.