

(1) MONICA SAVES \$10,000 FROM HER MONEY MARKET Mutual fund AND PUTS THE FUND INTO HER SAVING ACCT @ BANK OF ALASKA. WHAT IS THE IMMEDIATE CHANGE IN M1 AND M2

(2) THE COMMERCIAL BANKS IN ZIP HAVE

Reserve	\$250 million
LOANS	\$3,750 million
Deposits	\$4,000 million
Total	\$4,200 million

A) CONSTRUCT THE COMMERCIAL BANK'S BALANCE SHEET  
IF YOU ARE MISSING ANY ASSETS CALL THEM OTHER ASSETS  
IF MISSING ANY LIABILITIES CALL THEM OTHER LIABILITIES

B CALCULATE THE BANK RESERVE RATIO

C IF BANK HOLD NO EXCESS RESERVES, CALCULATE THE DEPOSIT MULTIPLIER

(3) STARTING FROM UNEMPLOYMENT EQUILIBRIUM BRIEFLY EXPLAIN WITH THE AED OF THE AS-AD MODEL THE SHORT-RUN ON THE PRICE LEVEL AND THE REAL GDP OF AN OPEN-MARKET PURCHASE. DOES SUCH AN ACTION HELP AVOID INFLATION? DOES IT INCREASE REAL GDP IN THE LONG-RUN?

4) BANKS IN JAPAN MAKE A BAD LOAN that Don't get Repaid, AND SEVERAL BANKS FAIL. THE BANK'S CUSTOMERS LOSE THEIR DEPOSITS

A) What is the effect of the BANK failures on the quantity of Money?

B) What is the effect of bank failures on Aggregate Demand?

C) What are the effects of bank failure on Real GDP and the price level in the Short Run

D) What are the effects of the Bank failure on Real GDP and the price level in the Long Run