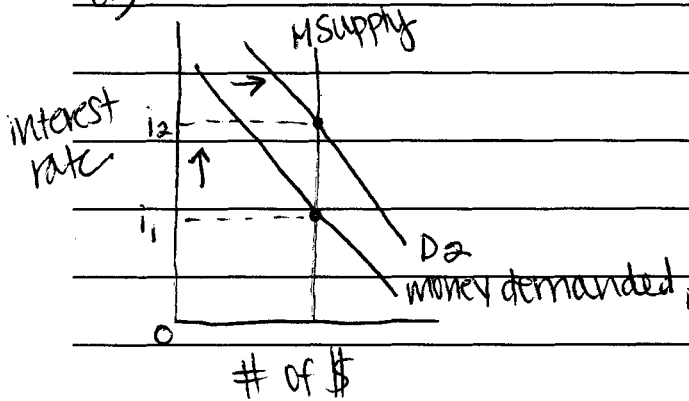
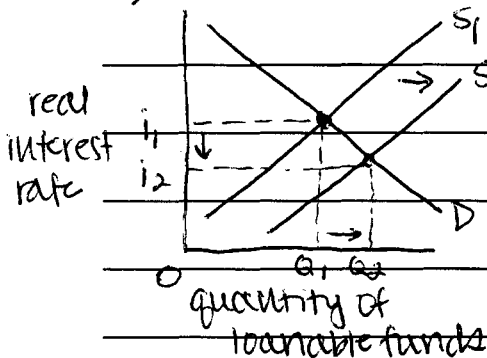


a) Money market



raises the nominal interest rate

b) loanable funds market



lowers interest rate

c) (i) The 6% nominal interest rate plus an 2% increase in inflation makes the new nominal interest rate 8%.

(ii) 6%, because real interest rate is nominal interest rate (now 8%) minus inflation rate (2%)