q2 macro 2014

ANSWER PAGE FOR QUESTION 2

NSWER PAGE FOR QUESTION 2	2A
(2)	
(a)	
(1) The Federal Reserve should buy bonds in the open	n market,
(ii) The price of government bonds will increase	? ~
(b) Nominal Enterest 145, 1452	
base loos 100	
24.0	
D statement and	
0M-1	.8
o Q1 Q2 Quantit7 of Money	
$\overline{\mathcal{O}}$	
* Nominal Interest Rate Will	Fall
(C) The level of required reserves in the commercial bar	nks
Will remain the same.	
(d) The discount rate is the interest rates that bank	s pay,
when they borrow money from the central ba	1 1.
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