Student ID.......6104640427

90

EE212 (2/2018 Section 046402): Quiz 2

CC = 6000   DD = 4000

20

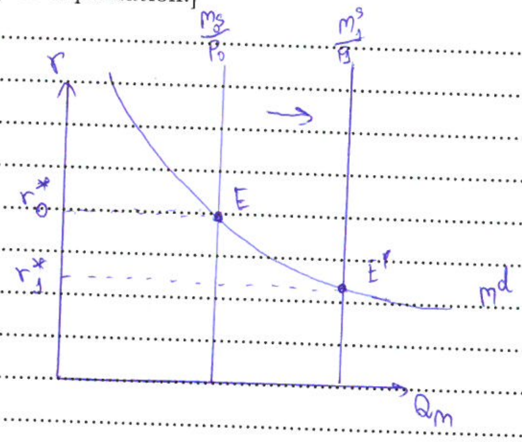
1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

narrow definition of money supply (M1) is currency in circulation combined with demand deposits at commercial banks, or CC + DD which is 6,000 + 4,000 = 10,000 million baht.

please give definition of money supply

70 +

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]



Given: • Equilibrium at $\frac{M_0^s}{P_0}$ intersect w/ m^d

• Government bonds is purchased by central bank

Effects: • The shift (an increase) in $\frac{M_0^s}{P_0}$ to the right

• $r_0^* \to r_1^*$ (decrease in interest rate)

From the figure above, using information given, the original Equilibrium is the point where the real money supply ($\frac{M_0^s}{P_0}$) intersect with the money demand (m^d) and make r_0^* to be an equilibrium interest rate. When central bank buys gov. bonds from the public, the money injection in to the hand of the public making the increment of real money supply which is the shift from ($\frac{M_0^s}{P_0}$) to ($\frac{M_1^s}{P_1}$) (new money supply). By the effect of new money supply increased, it intersect with m^d at r_1^* where is located lower than r_0^*, thus, the effect of buying gov. bonds from public is the reduction in interest rate at new E'.

V. good explanation
price remain constant

-10 Explain adjustment toward new E

Student ID 6104640229

90

EE212 (2/2018 Section 046402): Quiz 2

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

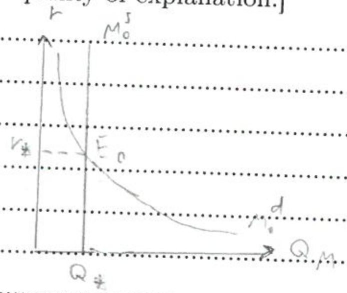
Money supply = the amount of money which is in economy system.

M_1 = currency in circulation + demand deposit

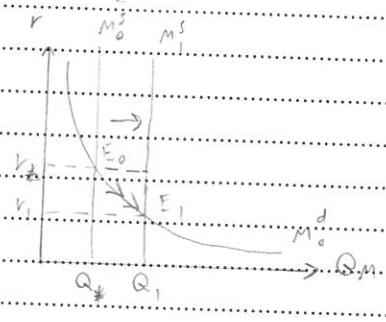
$MS = CC + DD = 6000 + 4000 = 10000$ million Baht

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

70



Firstly, the economy are in equilibrium at point $E_0(Q_*, r_*)$



When the central bank buy government bonds from the public, It mean that the money in economy system increase, then M^s shift to the right from M_0^s to M_1^s. At this stage, we will see that there is an excess supply. Then, people will ~~buy~~ ~~sell~~ more bond.

⇒ Bond price ? ⇒ interest rate

: new E ?

-10 Explain new E & adjustment toward new equilibrium

Student ID 6104640237

EE212 (2/2018 Section 046402): Quiz 2

90

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

$M^S = CC + DD$

$= 6{,}000 + 4{,}000$

$= 10{,}000$ million baht

Money supply

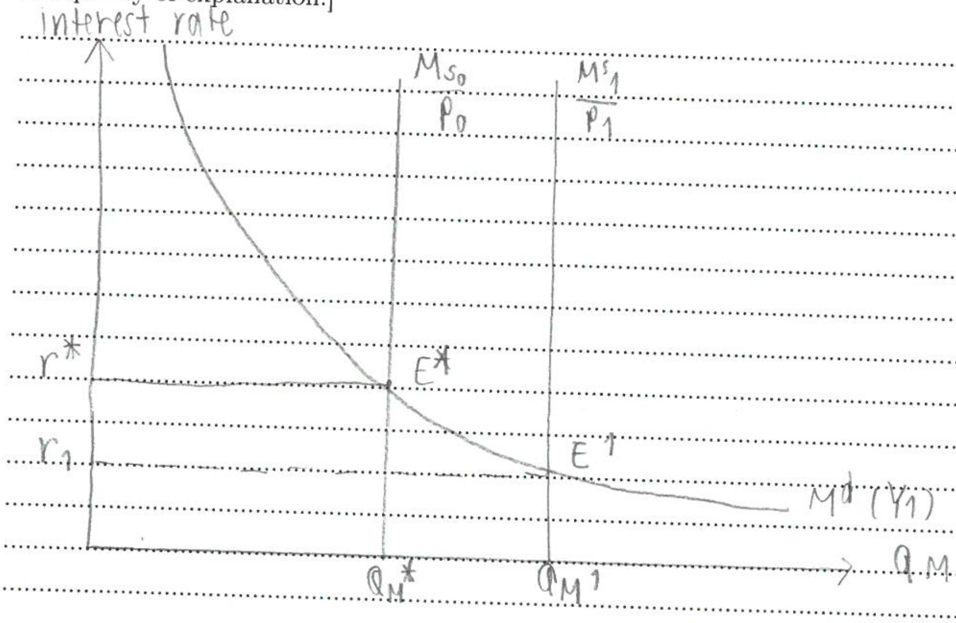
= money in the market (have DD)

M1

= money in the market (no ~~DD~~ interest)

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

70



Central bank buys government bonds from the public, so money supply will increase, moving from $\frac{M_{S0}}{P_0}$ to $\frac{M_{S1}}{P_1}$, from the increasing of money supply, the interest rate is lower moving to r^* at equilibrium to r_1 and Quantity Money Demanded is increasing moves from QM^* to QM^1

-10 explain adjustment toward new equlibrium

Student ID 6104640500

EE212 (2/2018 Section 046402): Quiz 2

90

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

CC DD M^s

20

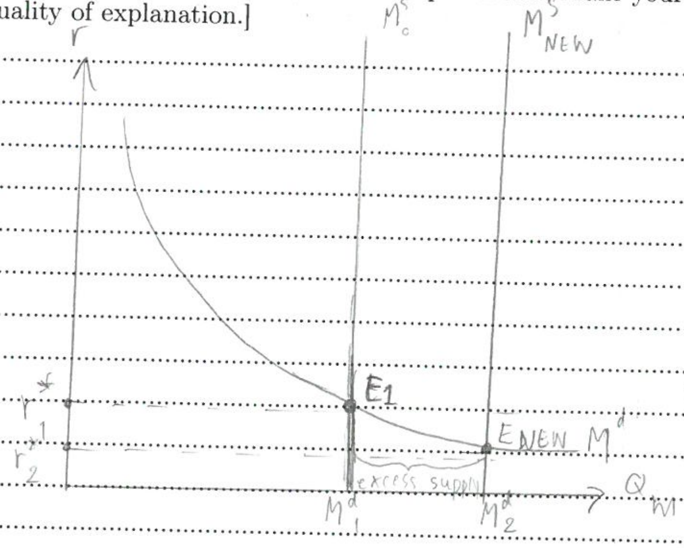
Money supply (M^s) is money in the hand of plublic, but for M1? narrow money supply is the money supply without deposit system created by bank sector

$\therefore M^s = CC + DD = 6000\text{ m.} + 4000\text{ m.} = 10000$ million Bath

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

E $M^s\uparrow$

70



At first our economy is at the equilibrium then central bank buys goverment bonds. So, this action created excess supply. Now, after buy bond the money supply is going up, shift to the right so the new equilibri is lower interest rate and money demand go up (move along)

* organization
⇒ $M^s\uparrow$
⇒ at the original r → excess M^s
...

* −10 explain adjustment toward new Equilibrium

Student ID 6104640476

EE212 (2/2018 Section 046402): Quiz 2

100

cc dd

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

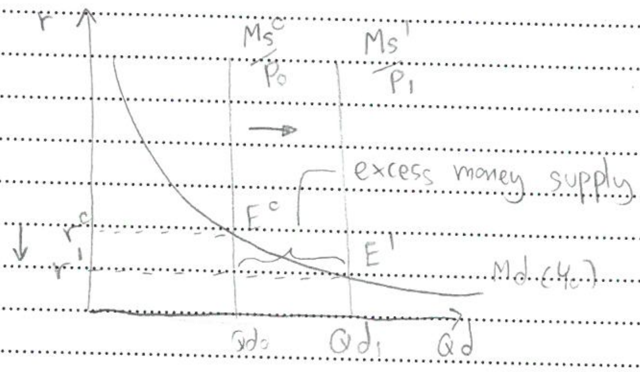
M_1 = currency in circulation + demand deposit
= 6,000 + 4,000
= 10,000
Therefore, Money supply is 10,000 Baht

explain definition of M^S

buy

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

80



- If the central bank buys government bonds from the public, There is a change in money supply, increase (shifting to the right) and it also lead to excess money supply

When there is excess money supply, agency buy more bond. And demand of bond will increase, leading to higher price of bond. Then when price of bond is higher, interest rate will be lower. There is adjusting untill it reach new equilibrium.

~~Explain new E~~ (-5)

new E ⇒ interest rate decreases

Chonachon Hangsakul

Student ID 6104640948

EE212 (2/2018 Section 046402): Quiz 2

90

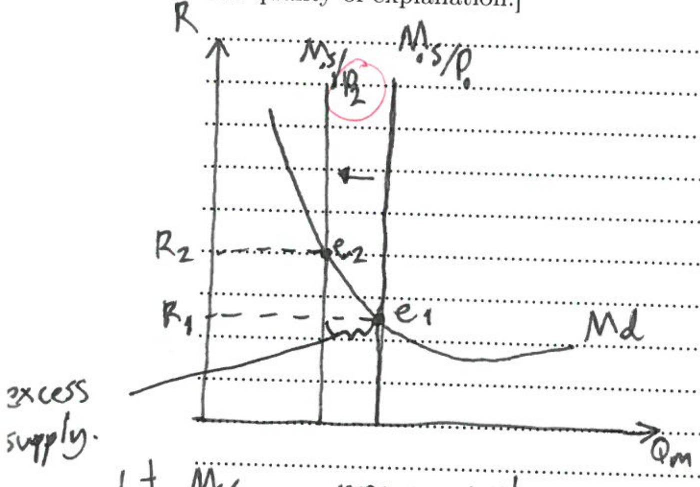
1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [~~Hint: please~~ give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

The money supply is the amount of money that in the hand of public at specific time. If we consider from M1 the amount of money is currency in circulation plus demand deposit. Therefore, $M_1 = 6000 + 4000 = 10{,}000$
∴ There is 10,000 million Bath in this economy.

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

70



Let M_s/P_0 = money supply

M_d = money demand

e_1 = initial equilibrium

If the central bank sells government bonds to the public, Price of bonds will fall and interest rate will increase

Consequencingly, money supply will decrease because money will goes to central bank which shift money supply to the right from M_s/P_0 to M_s/P_2

price remain the same

which will meet new equilibrium at e_2 with the higher interest rate and lower money supply.

−10 explain adjustment toward new equilibrium

Student ID 6104640559

EE212 (2/2018 Section 046402): Quiz 2

90

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

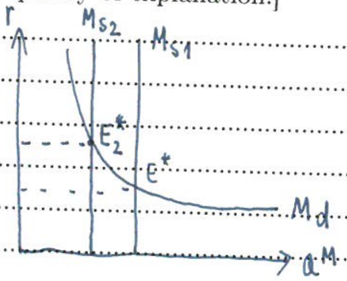
money supply = total amount of money in economy at a period of time X at a point of time

M1 = currency in circular + demand deposits

M1 = 6,000 + 4,000 = 10,000 #
money supply

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

70



First the economy is at equilibrium then central bank sells bonds to the public which made money supply curve shift to the left equilibrium interest rate increase (E_2^*), money demand decrease since Money supply shift left equilibrium move ~~and~~ along Money demand curve (M_d) from M(original money supply curve(M_1) toward new money supply (M_{S2})

−10 explain adjustment toward new equilibrium

Student ID 6104640807

EE212 (2/2018 Section 046402): Quiz 2

55

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

15

$M_1 = cc + DD$ Suppose reserve ratio = 0.1 ?

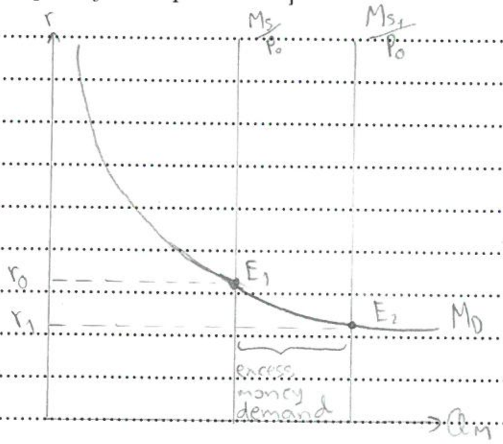
$= 6000 + (4000/0.1)$

$= 46000$ × −5

Hence, $M_1 = M_s$, money supply of this economy is 46000 ✗

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

40



wrong side ; $M^S \downarrow$

explain adjustment toward new E in the details

Suppose central bank sells government bonds so money supply will increase ~~and~~ money supply line will shift right from M_s/P_0 to M_{s1}/P_0. Moreover, bond price will decrease lead to decrease in interest rate which move down and adjust to new equilibrium at E_2.

Student ID 6104641029

EE212 (2/2018 Section 046402): Quiz 2

60

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

Money supply = total money supply in circular flow at specific time

M_1 = Currency in circulation + demand deposits

$M_1 = CC + DD = 6000 + 4000 = 10,000$ ∴ Money supply 10,000 million baht.

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

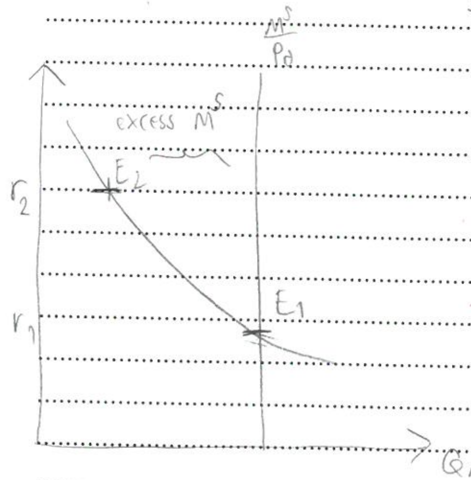
40

Originally the economy is at equillbrium.

Central banks sells bonds. It means M^S will decrease (↓)

then bonds price will decrease ? why ?

So, Interest rate will go up. to reach new Equilibrium.



new money supply line is missing

Explain adjustment process toward new E

excess

Interest rate $< r_E$ excess demand

sell bonds

bond price ↓

Interest ↑

$r > r_E$ excess M^S

buy band

demand band ↑

price ↑

interest rate ↓

Student ID 6104640633

60

EE212 (2/2018 Section 046402): Quiz 2

$M_1 = CC + DD$

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

$M_1 = CC + DD$

$M_1 = 6000 + 4000$

$M_1 = 10{,}000$ million Baht

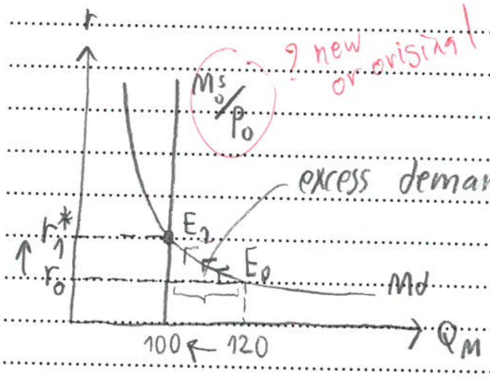
The money supply of the economy is 10,000 million baht.

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

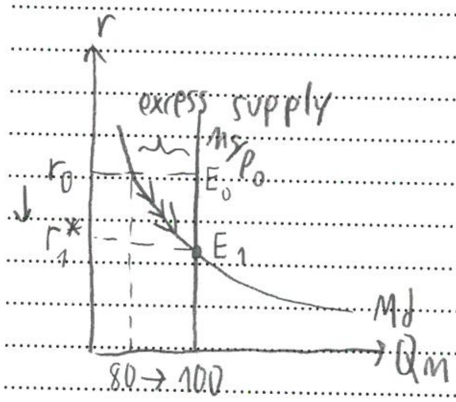
$M^S \downarrow$

please explain M^S decreases

40



Depends on this graph, from E_0 to E_1 is a excess money demand which means that interest rate is lower than the equilibrium. To solve this problem, the agents should sell more bonds to decrease bond price and after that the interest rate will be increased from r_0 to r_1^*. For example, if interest rate is low, public will want to hold there money instead of keep in the bank, so the central bank should sell more bond to solve this problem to make public to save their money more.



orginal

new M^S line is missing

adjustment toward new E

Student ID 6104641045

EE212 (2/2018 Section 046402): Quiz 2

60

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

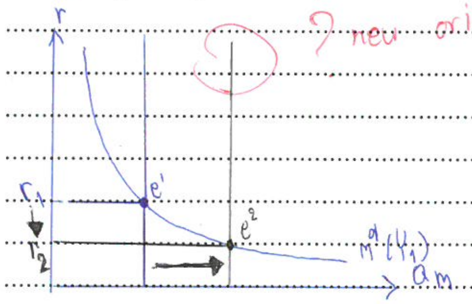
money supply is the amount of money in public's hand at specific time

M1 = currency in circulation + demand deposit at commercial banks

M^S = 4000 + 6000

M^S = 10,000

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]



40

If the central bank buys government bonds from the public the interest rate will decrease and the quantity of money will increase

*organization

money supply ↑

name of money supply lines are missing

adjustment process toward new equilibrium

Student ID 6104641128

EE212 (2/2018 Section 046402): Quiz 2

40

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

Money supply is the amount of money and bond that in the hand of public.

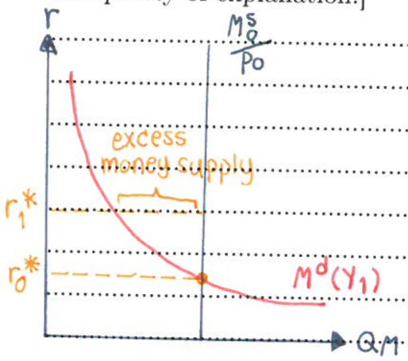
narrow definition of money (M_1) = currency in circulation + demand deposit in commercial banks

M_1 = 6,000 + 4,000 = 10,000

Hence, the money supply of the economy is 10,000 million baht.

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

20



Originally, the equilibrium is r_0^*, where $\frac{M^s_0}{P_0} = M^d(Y_1)$.
If the central bank sells government bonds to the public, the bond price will decrease and the interest rate will increase
r^* increases from r_0^* to r_1^*.
There will be excess money supply at the new equilibrium.

-5

-10 new money supply line is missing

-10 Explain adjustment process toward new Equilibrium

Student ID...6104641318......

30

EE212 (2/2018 Section 046402): Quiz 2

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

10

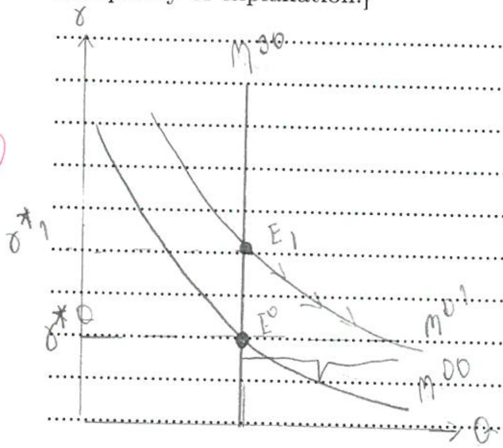
Money supply = the money in the hand of the public at the specific time

$M^s = 6000m + \frac{4000\ m.}{0.1} = 40,600$ m. Baht -5

definition M1? -10

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

20



the central bank sells goverment bonds to the public

so Money demand is ship to the right

- excess money demand
- price of bonds are increases.

there fore interest rest is decreases.

$r^{*1} > r^{*0}$

Student ID 6104640203

EE212 (2/2018 Section 046402): Quiz 2

40

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

CC DD

Money supply (M^S) is the money in the hand of public at specific time.

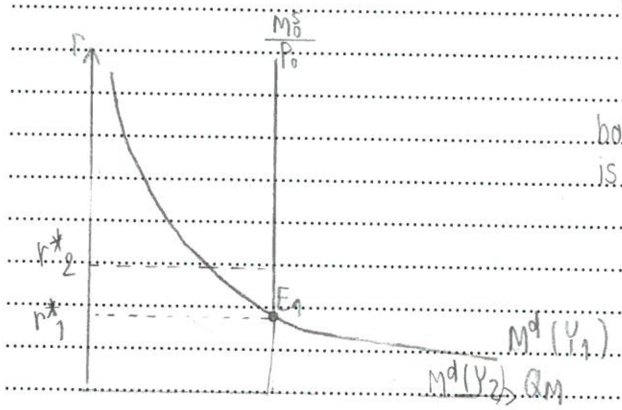
M_1 = Currency in circulation + Demand Deposit.

20 $M^S = CC + DD = 6000 + 4000 = 10,000$

Therefore, money supply (M^S) in this economy is 10,000 million Baht.

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

70



Originally, the equilibrium is r^*_1 where $M^S/P_0 = M^d(Y_1)$

If the central bank buys government bonds from the public, the interest rate is increase.

In this case, showing that Money demand is decrease.

$r^*_2 > r^*_1 \rightarrow$ excess M^S

Student ID 6104641193

EE212 (2/2018 Section 046402): Quiz 2

40

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

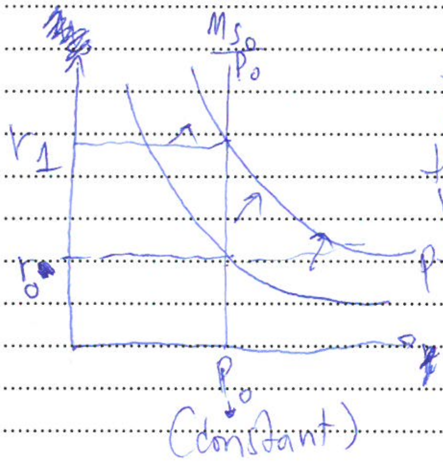
$M^s = CC + DD$
$= 6000 + 4{,}000$
$= 10{,}000$ #

Money supply is the total amount of ~~money that includes the~~ currency in circulation along with the demand deposits.

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

d↑ IR ≠ EIR D↑ sells P↓ IR↑

20



If the Interest rate is lower than the equilibrium interest rate, there will be an excess demand in the market. More over, more bonds will be sold at a certain ~~point~~ period of time, which leads to the price of the ~~market~~ bonds to decrease. In addition, the ~~inter~~ interest rates in this case will eventually. Hence, it will be adjusted to the equilibrium. #

Student ID 6104640161

EE212 (2/2018 Section 046402): Quiz 2

40

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

$M^S = CC + DD$

$= 6{,}000 + 4{,}000$

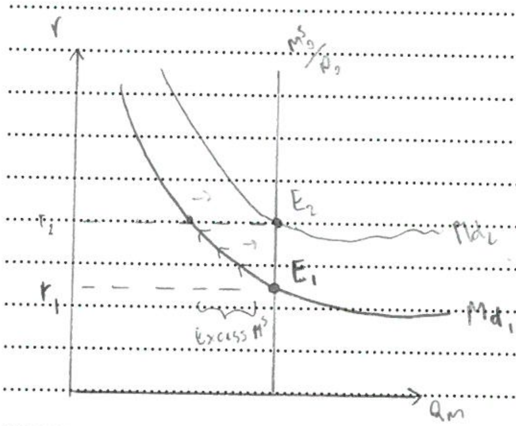
$= 10{,}000$ million baht

Money supply is the money that you keep to yourself plus the money deposit to the bank (primary deposit) and the bank keep the money as part as legal reserve and another part as lend to another bank

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

Agents buy

20



If the central bank sells government bonds to the public means that the agents will buy bonds so, the bond demand will increase so the interest rate will increase due to bond demand.

To reach E_2 or new equilibrium which have more interest rate, you have to shift the graph to the right, increase M^S to reach new equilibrium

Student ID 6104641375

EE212 (2/2018 Section 046402): Quiz 2

40

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

CC DD

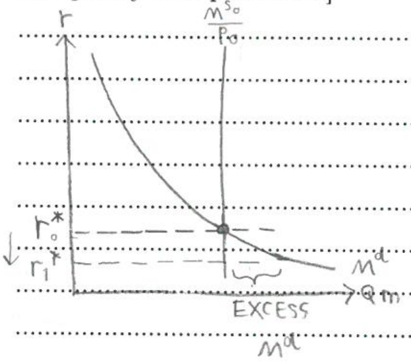
$M^S = CC + DD$ | • money supply is amount of money in the hand of central bank

$M^S = 6000 + 4000$

$M^S = 10{,}000$ million Baht | • The narrow of money (M1) = commercial bankt

20

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]



In this case the interest rate is lower than equilibrium rate so it make to create excess of money demand (M^d) and we have to sell more bonds then bond price is decreases therefore interest rate is increases adjust the equilibrium interest rate ?

20

Student ID....510 46 404 01.........

EE212 (2/2018 Section 046402): Quiz 2

40

CC

DD

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

M^s = Currency in the circulation + demand deposit

= 6000 + 4000 = 10,000

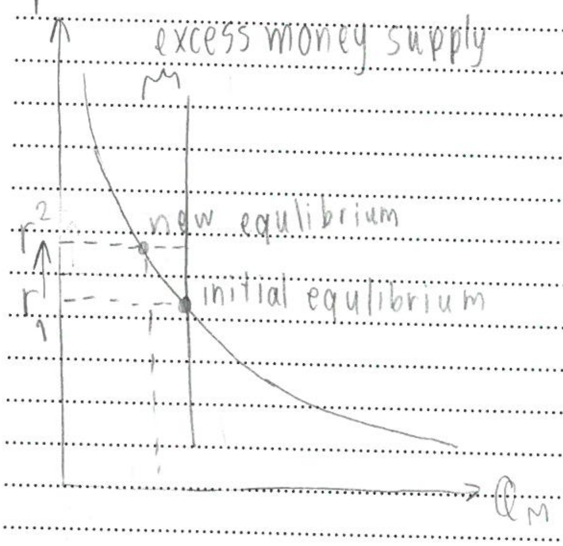
M^1 = C + checkable deposit

20

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

excess money supply

20



- bank buys bonds from public adjust to the new equlibrium
- increase interest rate so people will deposit more reduce money in the circulation

Student ID...6104641268...

EE212 (2/2018 Section 046402): Quiz 2

40

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

$M^s = CC + DD$

$= 6{,}000 + 4{,}000 = 10{,}000$ million baht

~~M1 is~~ Money supply is the amont of total money in the hand of pub

$M_1 =$

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

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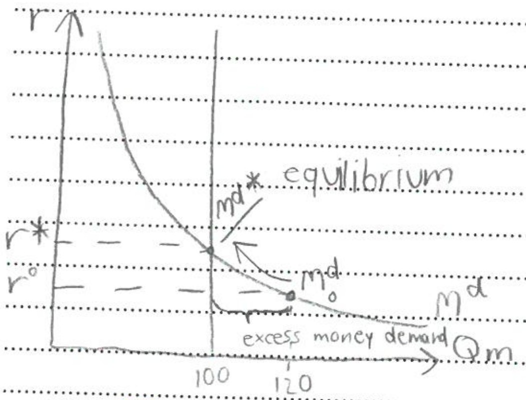


m^d = initial equllibrium

m^d_0 = new equilibrium

If the central banks sells government bond to the public, this mean the excess money demand occu~~r~~ed. Agents will sell more bond and decrease the bond price, giving rise to the increasing of interest rate. From the graph, at m^d_0, r° is lower than r^*, so bank have to increase interest rate and sell bond in order to adjust r° to $r^* = m^{d*}$ (the equilibrium).

Student ID....6104640682....

40

EE212 (2/2018 Section 046402): Quiz 2

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

$M^s = CC + DD$

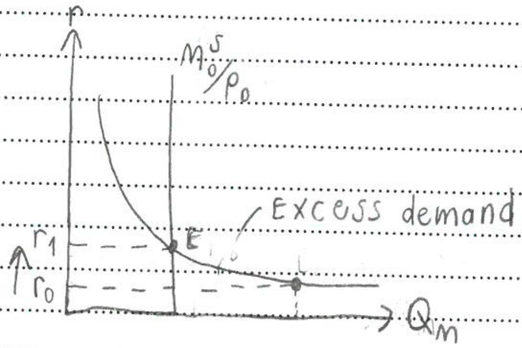
$= 6000 + 4000$

$= 10000$ million Baht

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

M^s ?

20



In this situation, the central bank buys government bonds from the public which means that the interest rate is lower than equilibrium because the public sells bonds to central bank which mean they have to decrease the price of bonds. From the graph, the interest rate is lower than equilibrium so we have to move along the graph to hit with the equilibrium. After that, the interest rate will increase.

Student ID 6104640574

EE212 (2/2018 Section 046402): Quiz 2

40

1. (20 marks) Suppose there is 6,000 (CC) million Baht in form of currency in circulation and 4,000 (DD) in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

$M^S = CC + DD$

$= 6{,}000 + 4{,}000$

$= 10{,}000$ million Baht

money supply is amount of money in hand of public

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

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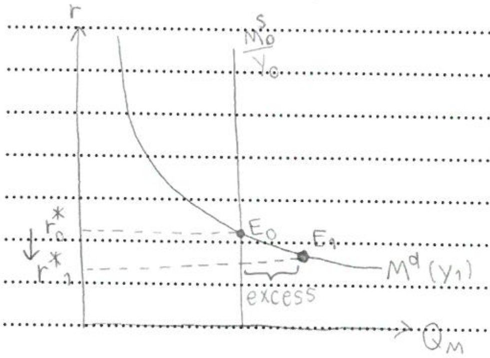

Assume that equilibrium is at E_0 and later on the central bank sell government bond to the public, the equilibrium inrest rate will shift down at r_0^* to r_1^* and E_0 to E_1 and will happen excess money demand ?

E_0 = the initial equilibrium

E_1 = the new equilibrium

new M^S?

Student ID...6104640039...

EE212 (2/2018 Section 046402): Quiz 2

40

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

   money supply is the money in economy.

   20 M_1 is currency in circulation and demand deposit.

   $M^s = CC + DD$

   $= 6000 + 4{,}000 = 10{,}000$ million Baht.

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

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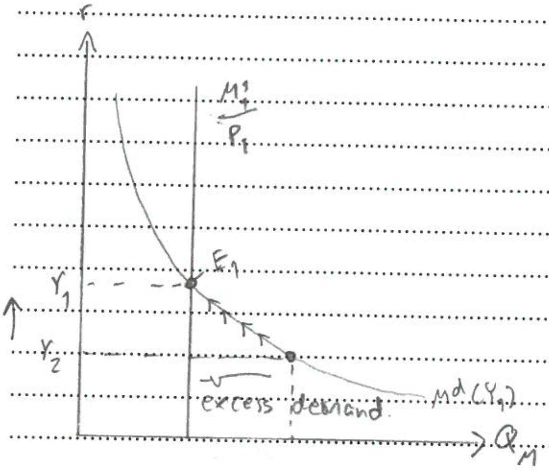


If central bank buys bonds from the public, money in hand of people, which is M^d will increase from the equilibrium. Therefore, the interest rate should be increased for decreasing M^d to the equilibrium, which is E_1.

Student ID 6104641110

EE212 (2/2018 Section 046402): Quiz 2

25

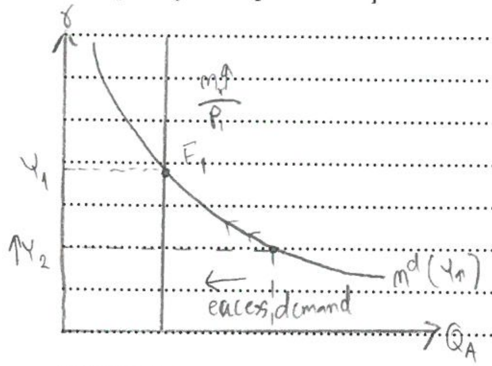
1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

Money supply is the money in the economy.
M1 is currency in circulation and demand deposit
$M^m = CC + DD$
$= 6000 + 4000 = 10,000$ million baht

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

5



It will make excess money demand people want to hold money

Student ID 6104640732

EE212 (2/2018 Section 046402): Quiz 2

40

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

M_1 = Current circulation money (CC) + demand deposit money (DD)

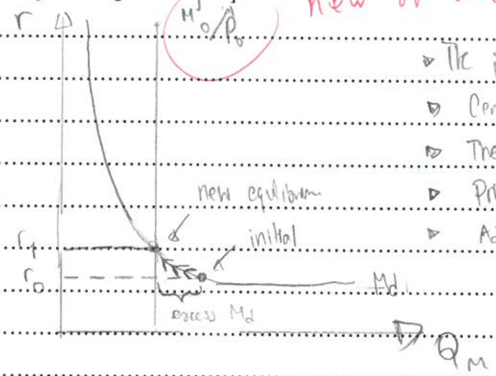
Money supply = CC + DD

= 6000 + 4000 = 10,000 million Baht.

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

new or original

20



- The initial interest rate is lower than the interest rate equilibrium.
- Central bank sell bonds to the public M^S?
- There is excess money demand
- Price of bond decrease in order to make interest rate increase.
- Adjust the equilibrium

r_0 = The initial interest rate

r_1 = New interest rate (interest rate that increases inorder to get to equilibrium (M'_0/P_0))

Student ID 6104640088

EE212 (2/2018 Section 046402): Quiz 2

15

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

10

~~Money supply = is the money use in daily life~~

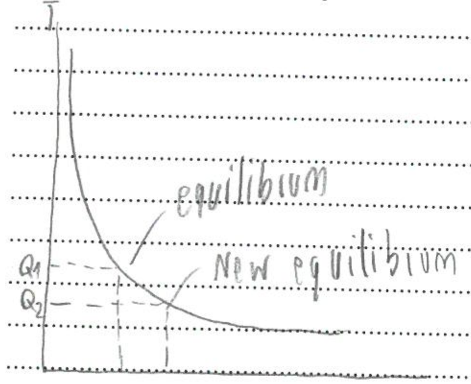
~~Narrow supply = money & that deposite in the bank~~ definition of M^S

$M_1 = CC + DD$ & calculation

M_1 = currency culculation + demand deposite

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

5



~~The money supply in~~

bond supply increase
bond demand decrease
interest rate decrease

Student ID 6104640518

EE212 (2/2018 Section 046402): Quiz 2

25

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

$M^s = CC + DD$ money supply ?

$= 6000 + 4000$

$= 10000$

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

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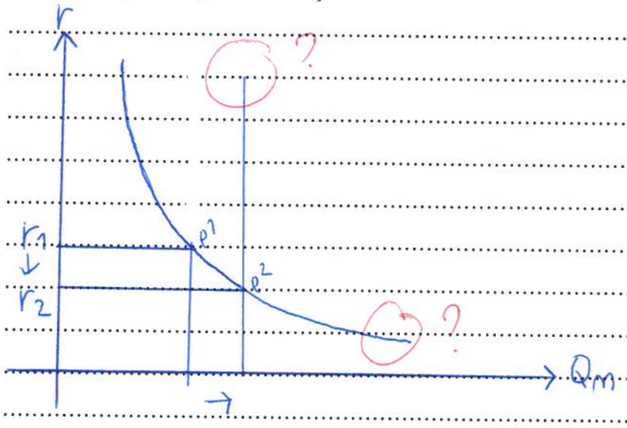


price decrease
interest rate increase

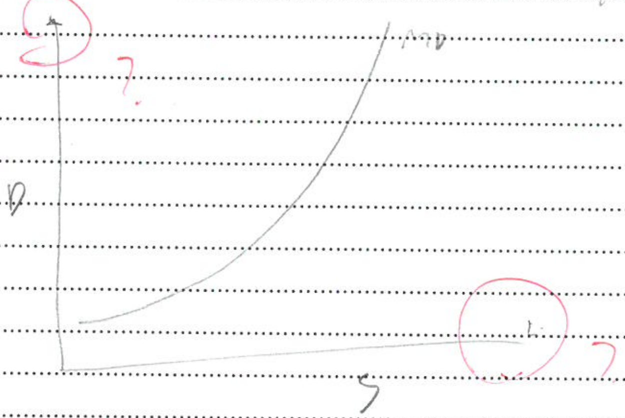
Student ID 6104641086

EE212 (2/2018 Section 046402): Quiz 2

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

Interest rate will rise above equilibrium



?

?

Student ID 6104640211

6104640211

EE212 (2/2018 Section 046402): Quiz 2

25

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

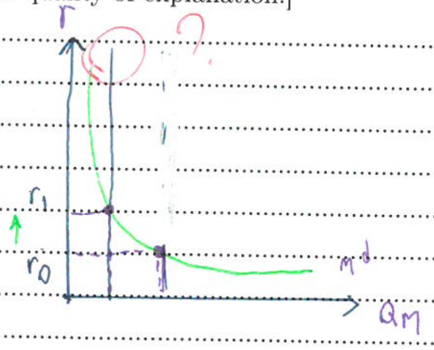
6000 + 4000 = 10000

M_1 = CC + DD

M_1 = currency circulation + demand deposit

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

5



* sell bonds

- bond supply increase
- bond demand decrease
- interest rates increase
- interest rates is lower than the equilibrium interest rate
- price decrease

Student ID. 6104640179

EE212 (2/2018 Section 046402): Quiz 2

25

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

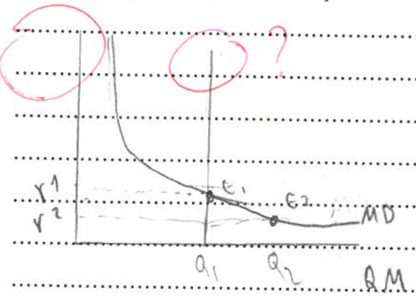
M1 = CC + DD (w/o interest)
= 6000 + 4000
= 10,000

money supply is the total amount of money in hands of public at a specific time

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

5

partial credit?



Bond ↑ ir ↓

MD ↓
(bond demand falls)

r1 = inital interest
r2 = new interest

If the central bank sells government bonds to the public, interest rate decreases, making money demand increase. Hence the equilibrium moves from E_1 to E_2

B ↑ ↓ r

Student ID.....6104640054..........

EE212 (2/2018 Section 046402): Quiz 2

20

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

$M^S = CC + DD$ ⟶ • to calculate money supply we add the currency in circulation with demand deposit.

20

$= 6000 + 4000$

$= 10,000$ • M_1 is ~~not~~ the money supply in the hand of public

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

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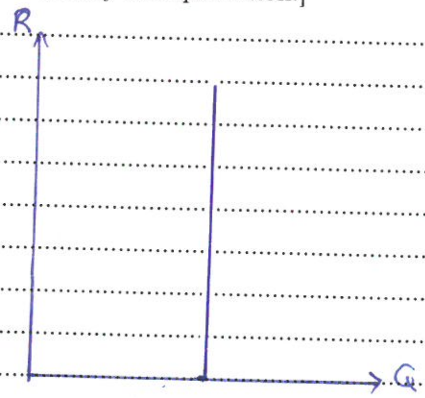

Student ID. 6104641342

EE212 (2/2018 Section 046402): Quiz 2

35

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

15

Money supply is host need to sell money to people such as government sell bond to people. $M_1 = CC + DD = 6000 + \frac{4000}{0.1} = 46{,}000$ B

-5

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

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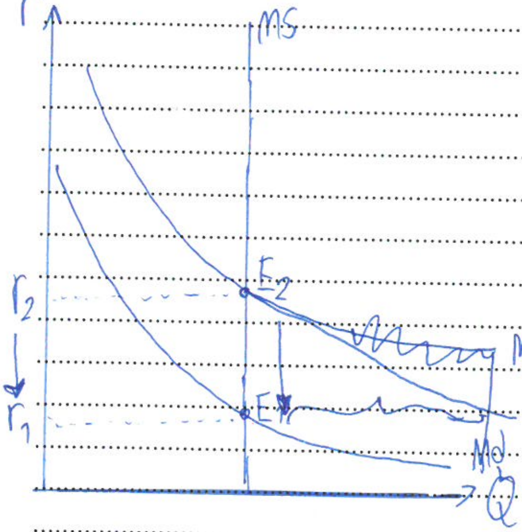

When central bank buys more government bond to people. E_2 (original equilibrium) shift down to E_1. At this point original interest rate r_2, interest rate decrease to r_1. That mean, when people sell more bond to central bank, interest rate will decrease to abjast for new E at E_1. Excess demand will occare at this point E_1.

-50 wrong // shift in M^S not M^d

-10 adjustment toward new Equilibrium

40

Student ID 6104640930

EE212 (2/2018 Section 046402): Quiz 2

CC = 6000 BD = 4000

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

20

$M^s = CC + DD$ - to calculate money supply we add the currency in circulation
$= 6000 + 4000$ with demand deposit
$= 10,000$ - M_1 is the money supply in the hand of public.

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank buys government bonds from the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

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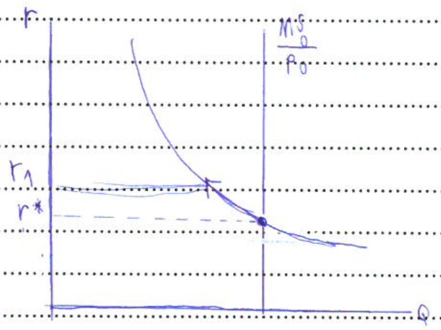

r^* is at equlibrium
r_1 is the interest rate (that change)

If the central bank buys government bonds from public its means that there is money demand and the price of bonds will be decrease which makes the interest rate in the money market rise.

* how does M^s change.

* how does this affect r^*

* adjustment toward new E

Student ID...6104640013.........

30

EE212 (2/2018 Section 046402): Quiz 2

1. (20 marks) Suppose there is 6,000 million Baht in form of currency in circulation and 4,000 in form of million Baht demand deposit. What is the money supply of the economy? [Hint: please give the definition of money supply, the definition of narrow definition of money (M1) ans show how to calculate the money supply)

10

MS = 6000 + 4000

= 10000 Million Baht

−10 definition

2. (80 marks) Suppose originally the economy is at equlibrium. If the central bank sells government bonds to the public. How does equilibrium interest rate in the money market change? Provide money market graph to support your explanation. Explain the adjustment toward the new equilibrium. [Hint: Please make the graph clear; i.e. indicate the initial equilibrium, the new equilibrium. Make your explanation clear and complete. Marks depend on the quality of explanation.]

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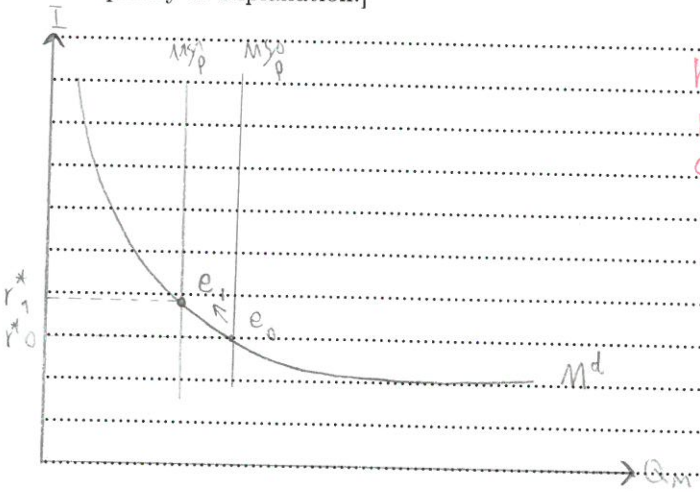

how does M^s change

new equilibrium

adjustment toward new equilibrium

The equilibrium interest rate will adjust back to the equilibrium