Directions: Work in groups of up to four people and answer the following questions. All papers will be collected only one member's paper will be randomly selected and graded and all members of the group will receive same grade.				
By signing below, you agree that the follow willing to accept as your own grade for the gwork.	-			
Signature Group Member 1	Print Name	——————————————————————————————————————		
Signature Group Member 2	Print Name	Date		
Signature Group Member 3	Print Name	Date		
Signature Group Member 4	Print Name	Date		

Your Name: _____

ECO 301: Macroeconomics

In-class Exercise Market for Money

1.	Describe and illustrate the impact on the interest rate and quantity of money if an economic expansion causes an increase in average income.
2.	Describe and illustrate the impact on the interest rate and the quantity of money if the Fed makes an open market purchase of government bonds.
3.	Suppose there is an improvement in <i>financial technology</i> that makes it easier transfer your assets from investment accounts (stocks, bonds, and mutual funds) to checking accounts. Describe and illustrate the impact on the interest rate and the quantity of money.
4.	Suppose the Federal government reduces the capital gains tax rate. Describe and illustrate the impact on the interest rate and the quantity of money.

5.	Describe and illustrate the impact on the interest rate and the quantity of money if people expect an increase in the rate of inflation.
6.	Suppose the Fed makes an open market sale of securities it owns.
	(a) Describe and illustrate the impact on the interest rate and the quantity of money.
	(b) Describe of the policy above on consumer spending, savings, and borrowing.
	(c) Define investment . Describe the impact of the policy above on investment demand.
	(d) Describe the impact on of the policy on aggregate demand.