

ECO 301: Money and Banking
In-class Exercise: Money Demand

Name: _____

Learning Objective: LO3: Predict changes in interest rates using fundamental economic theories including present value calculations, behavior towards risk, and supply and demand models of money and bond markets.

Directions: This is a closed book, closed notes group quiz. Work in groups of up to four people and answer the question below. All papers will be collected, but only one member's paper will be randomly selected and graded and all members of the group will receive the same grade.

By signing below, you agree that the following work represents the efforts of everyone in the group, and you are willing to accept as your own grade for the group project the grade earned from this representation of your group's work. Every member must agree to these terms to earn a non-zero grade for this assignment.

_____ Signature Group Member 1	_____ Print Name	_____ Date
_____ Signature Group Member 2	_____ Print Name	_____ Date
_____ Signature Group Member 3	_____ Print Name	_____ Date
_____ Signature Group Member 4	_____ Print Name	_____ Date

Name six factors that can shift the money demand function. For each factor, identify the Keynesian 'motive' behind the change in money demand. Explain in no more than one or two sentences how each factor effects money demand, and which direction the money demand curve shifts. All other things remaining equal, what will be the effect on interest rates?