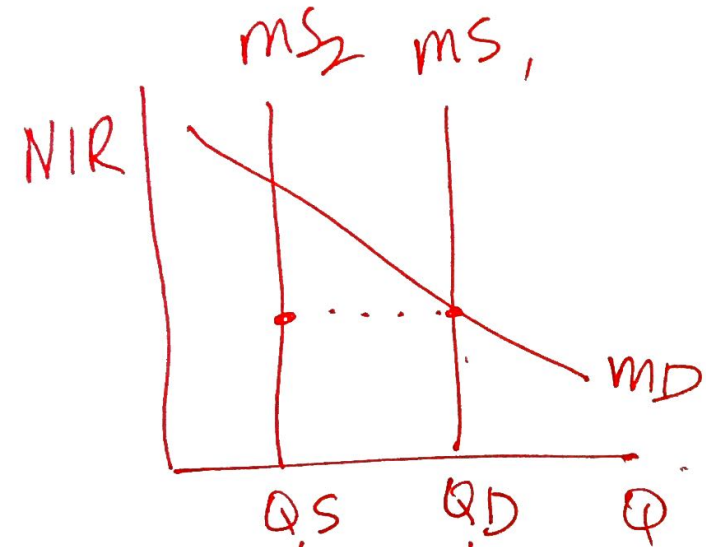
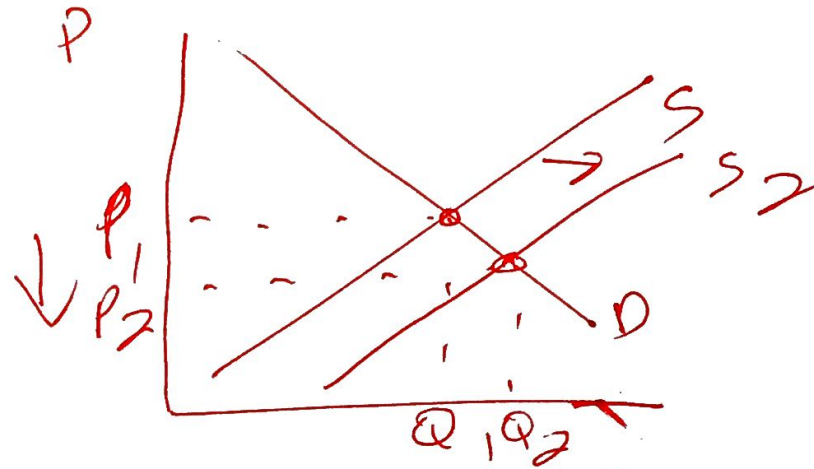


### Scenario 3: $MS \downarrow$



Quantity demanded  
of money exceeds  
quantity supplied  
(at existing  $NIR$ )



Bonds  $Q$

People sell bonds to  
acquire money.

This causes the price of  
bonds  $\downarrow$  and the interest  
rate in the money market  
to  $\uparrow$ .