

## ECON2113 Macroeconomics

### Chapter 8 Exercises

1. Suppose you borrow \$6,000 in student loans at a 5% annual interest rate in 2017.
  - a. How much will you owe after 10 years of accumulating debt?
  - b. If inflation is 6% per year over this period, how much will you owe after 10 years in real 2017 dollars?
  - c. Who is the loser in this scenario, you or the bank?
2. Suppose that you have \$250 to invest:
  - a. You decide to store the \$250 in cash under mattress. If inflation is 3%, what will the real value of that cash be after one year under the mattress?
  - b. If the nominal interest rate for a typical savings account is 1%, how much value did you lose by not depositing the money at the bank?