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| **Exercises from old exams to chapters in B & W.** |

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| **Chapter 9 and 10** |

**Exercise 1**

1. Define the money demand curve in a money market model. Who do we assume are the participants behind the curve?
2. Use a money market model to explain how the central bank and the banking system can influence the supply of money.
3. Explain the inflation target instrument by using a money market model and give reasons why many countries have changed from monetary targeting to inflation targeting.
4. Explain the Taylor rule and use it to predict outcome if the economy is at its natural rate. Use also a money market model to explain this situation.

**Exercise 2**

1. Define the monetary base and the money multiplier.
2. Use the concepts from a) to explain, how banks can “create money”.
3. How can a central bank increase currency in circulation?
4. After the financial crises of 2008, many countries experienced that: “Although the central bank ran an extreme expansionary monetary policy, the money supply went down.” Give examples of reason why this situation can occur.