

Topics

1. Review homework
2. Topics from lecture
3. Problems from the textbook

1. Review Homework

MC.

Q2: “In principle, the GDP accounts should - but do not - have an imputation for:”

b) rental services of automobiles driven by owners

1. “If the number of self-employed workers and worker employed in new start-up firms (who are included in the household survey, but not in the establishment survey) has increased more rapidly than the decline in payroll jobs counted in the establishment survey, then the number of employed workers as measured in the household survey could increase while the number of payroll jobs decreases.”

2. Topics from lecture

- Multiple ways to measure money supply (M1, M2, etc)
- The effect that banking has on the money supply can be seen through the different reserve requirements on banks.
 - Fractional reserve banking increases the total money supply compared to 100% reserve requirement.
- The central bank has a number of policy tools to effect money supply.
 - Open market operations (securities \leftrightarrow reserves)
 - Reserve requirements (rr effects the money multiplier m)
 - Discount rate (higher rate means banks owe more when they borrow and can borrow less from the FED)
 - Interest on bank reserves (more interest means more holdings at the FED which increases $rr = R/D$)