4 Money and the money market – Part 1 — Answers

Answers

Work through these after you have tried the questions yourself.

2.1 a medium of exchange, a unit of account, and a store of value.
2.2 the interest rate falls (the money supply line shifts right).
2.3 $8\% - 3\% = 5\%$.
2.4 $5\% - 5\% = 0\%$ – the savings earn no gain in real purchasing power.
2.5 it shows the true gain (or cost) after adjusting for inflation, which is what actually affects buying power.