

SUVA SANGAM COLLEGE
YEAR 13
ECONOMICS
WORKSHEET 7

Question 1

- i. What is the meaning of the term crowding out effect?
- ii. Which institution in Fiji controls the money supply?
- iii. Explain how the money supply could be expanded in an economy in which all money is in the form of currency?

Question 2

Use the information given below on monetary aggregates and your own knowledge to answer the question that follows.

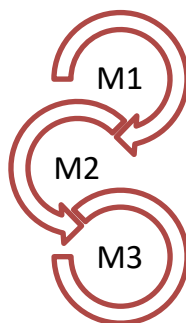
Money Aggregates	\$m
Term deposits	86 545
Notes and coins held by the public	10 524
Accounts operable by EFTPOS	22 467
Travellers cheques	12 957
Transaction accounts operable by cheques	25 870
Investment accounts	35 240

Required:

Calculate the value of **M3**.

Question 3

The diagram below shows how the definitions of money supply M1, M2 and M3, relate to each other. Study the diagram and answer questions (i) to (iii)



- i. Which definition of money supply is also known as the narrow money supply and comprises notes and coins held by the public plus transactions account deposits kept in financial institutions?
- ii. Which definition is also known as the broad money supply where the majority of other funding is in the form of term deposits?
- iii. What happens to the liquidity of money as one moves downward from the top of the diagram?