

Suva Sangam College

Year 13

Economics

Worksheet 8

Question 1

The primary causes of changes in the quantity of money are

- A. the overseas currencies within the economy.
- B. factors within the banking system such as credit creation.
- C. neither in the banking system nor outside of the banking system.
- D. factors outside the money and banking system but can affect the system.

Question 2

Study the table below on money supply and with your own knowledge answer questions (i) to (iii).

	Customer Deposits (\$)	Reserved as cash at hand	Loans made
Step 1	100	10	90
Step 2	90	9	81
Step 3	81	8.10	72.9
Etc			
Total	1000	100	900

- (i) Define credit creation.
- (ii) State one assumption of the credit creation process.
- (iii) Calculate the Reserve Asset Ratio.

Question 3

- i. Define Paradox of thrift.
- ii. Explain one relationship between interest rates and savings