PENANG SANGAM HIGH SCHOOL
P.O.BOX 44, RAKIRAKI

LESSON NOTES

Subject: Economics **Year/Level:** 12

Week 18

Strand	3	Macroeconomics
Sub Strand	3.1.4	Money Supply
Content Learning Outcome	Value money as the medium of exchange.	

Greetings to all…

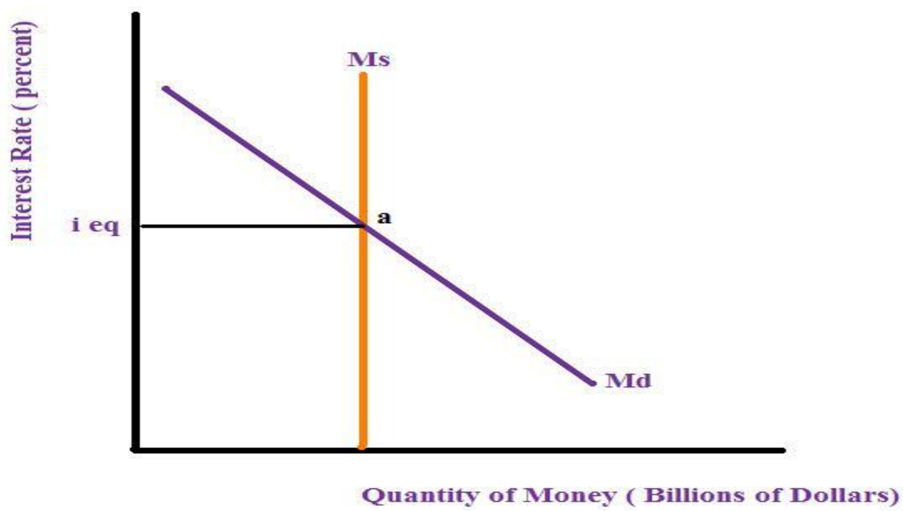
In the last lessons we looked at money demand and money supply. Now we will look at Money Market.

Lesson Notes (copy notes in your note book)

A money market consists of Money demand and money supply. An equilibrium is achieved where MD intersects MS. This market equilibrium is used to determine the basic interest rate of equilibrium.

(**Note:** Overall Money demand is set by consumers while Money supply is set by the Reserve Bank).

Graphical illustration : **Money Market**



Activity (Copy and attempt activities in your Activity book)

1. Use the table given below which shows the demand and interest schedule for a money market in an economy and with your own knowledge answer the questions.

Interest Rates (%)	Demand of Money ($billion)
12	50
10	75
8	100
6	125
4	150
2	175
0	200

Assume the money supply is **$125 billion**, **draw** a corresponding money supply and money demand curve for the economy illustrating the equilibrium interest rate and quantity of money.

2. Differentiate between Broad money and Near money?

3. State a factor that will lead to a **rightward shift** in Money supply?

4. A mother keeps a small collection of $1 and $2 coins in case she needs to ask one of the children to go to the shop for her. Money held in this way is an example of:

   A. The transaction motive
   B. The asset motive
   C. The precautionary motive
   D. Wealth

   Attempt the activities with the use of the lessons….. we will discuss them in the next lesson…….

Stay Safe…….