تلخيص محمد طه CH.33

* Money creation , single bank ،

* Assets = liabilities + Networth ،

A	Bank A	L+NW
cash	200	250 stocks
Property	50	100 deposits
RRR (10% 100)	10	
Excess reserve	290	

(الفضل ال 100 + الكاش)

يقرض

Loan 190
Bonds 100

الBonds أفضل من Loans لأنها أكثر liquidity ؛

مطلوب بنسبة الاحتياطي

* RRR :- Require Reserve Ratio

كلما زادت RRR ؛ loans supply decreases
money supply decreases ،

* if money supply money increase ⟹ inflation ،

حطيت في البنك
وديعة

Ex:

"Bank A"

A	L + Nwt
RR +10	+100 deposit
Loans 90	

if RRR = 10%

"B"

RR +9	+90
Loans 81	

"C"

RR 8.1	+81
Loans 72.9	

* Money creation Multiplier $= \frac{1}{RRR} *$ initial deposite

$= \frac{1}{0.1} * 100{,}000 = 1M$

* if RRR decreases then money supply increases.

* لما يكون في تضخم تقوم البنوك برفع الـ RRR .

* if RRR increase then interest Rate increase.

* if RRR icrease then exess reserve decreases.
and loans decreases and investment decreases.

* في الركود والكساد البنك يقلل ال RRR.

الي يحدد ال RRR هو البنك المركزي.

* في حالة البطالة العالية ⟸ decrease RRR.

* Money supply ⟷ RRR : علاقة عكسية

تلخيص محمد طه CH . 34

*interest rates and monetary policy.

*interest rates :- costs of borrowing.

وهي بالنسبة للمقترض وبالنسبة للبنك أيضاً.

* federal fund rate ... Discount rate.

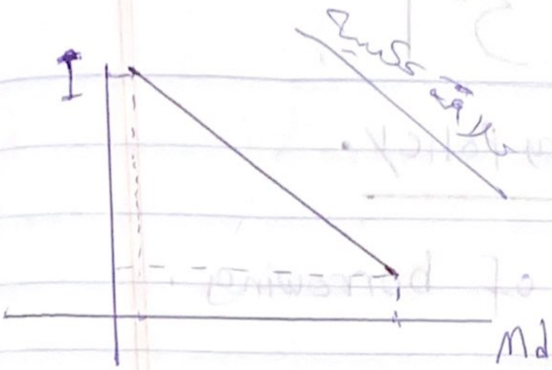
* fiscal policy :- is when taxes are reduced and spending is increased if there is a recession and the opposite if there is inflation.

* monetary policy :- refers to the action undertaken by nation's centeral bank to control money supply to achieve sustainable economic growth.

* Demand for money :- cash + current account

* interest rate for current account = zero

* negative ratationship between money demand and interest rate.



$I \uparrow \rightarrow Md \downarrow$

$I \downarrow \rightarrow Md \uparrow$

Md ⇒ money demand.

---

* لش منطلع معنا كاش أو حساب جاري؟ -

1] daily transaction, { Determined by nominal GDP, independent of the interest rate.

2] assets demand, { money as a store of value, varies inversely with the interest rate.

3] Precautionary reason.

---

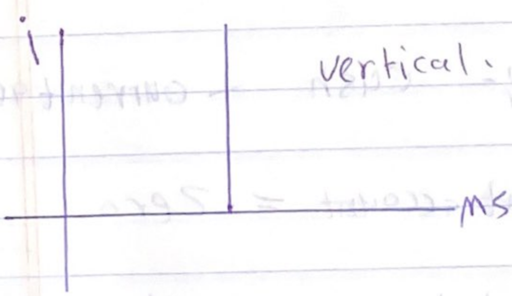
* who do money supply; -

centeral bank and commercial banks.

* who do meney demand ! - العائلات، الحكومة، البزنس، الأفراد،

---

* interest rate cannot effect to money supply,



vertical.

money supply > money demand :- low interest.

money supply < money demand :- hight interest.

money supply $\overset{\text{equiliprume}}{=}$ money demand :- fixed interest.

* Tools of monetary policy :-

* to stabilize the economy through inflation, unemployment, exchanse rate.

* عمل البنك المركزي على الاستقرار، بحراك العرض من خلال :- money supply

* whene high unemployment ??

increase in money supply.

how ?

معدل الاحتياطي المطلوب

1] RRR (Required reserve rate).

2] DR (Discount rate).

3] OMO (open market operations).

* if we have recession / unemployment is high?

in this case centeral bank has to :-

1] Reduce RRR :- if RRR decrease then the Excess reserve increase, loans supply capability increases, intrest rate decreases.

loans increases => money supply increases, more consumption and investment GDP becomes higher (recovering)

2] reduce Discount rate :- ~~DR~~

DR :- interest paid for centeral bank by commercial banks while borrowing.

* if DR decreases then borrowing from centeral bank increase then, interest rate decreases, money supply increases, loans increases.

Fiscal
- G
- T

Monetary
- RRR
- DR
- OMO

3] OMO :- Open market operations :-

$\boxed{\text{Purchase}}$ / sale of government securities or issuing bonds.

* when centeral bank purchases bonds from commercial banks, money supply increases.

* When inflation occures :- شو بعمل البنك المركزي عند حدوث تضخم

1] increase in RRR.
2] increase in DR.
3] centeral bank sells government securities / bonds.

* Money supply and unemployment (علاقة عكسية)

if MS increase then interest rate decreases then demand for loans increases then investement increase, output increase and employmend increase then unemploymend decreases.

OMO :- sells bonds

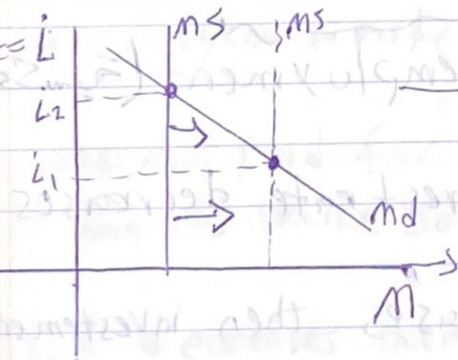
RRR ↑

DR ↑

* Money supply and inflation ? طردية

if Ms decreases then interest rate then interest rate increase then loans demand decreases then investment decreases then output decreases then employmend decreases then unemployment increase then income decreases then consumption decreases then price tend to decreases then reduction in inflation rate.

نسبة الفائدة = i



→ Expancenary monetary policy

↓ (RRR, DR, Bond شراء?)

1] Ms ↑ → i ↓ → Inv ↑ → Y ↑

~~P~~ ← un emp ↓ ← GDP ↑ ← Income ↑

P ↑