

# Money

## Homework

### THE CHANGING MONEY SUPPLY

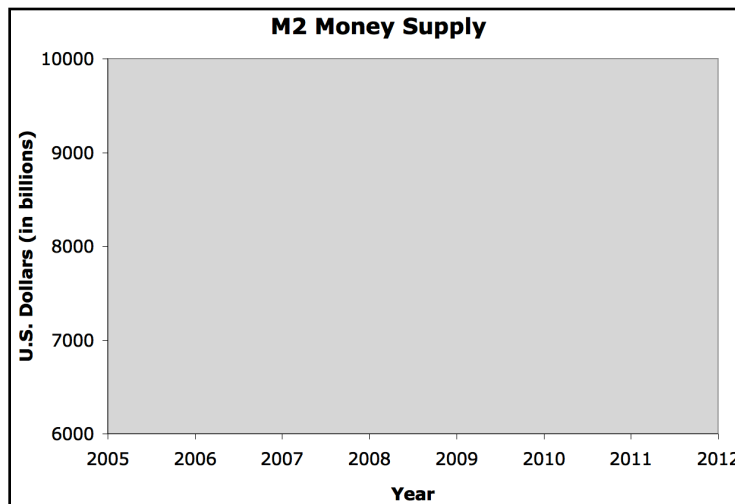
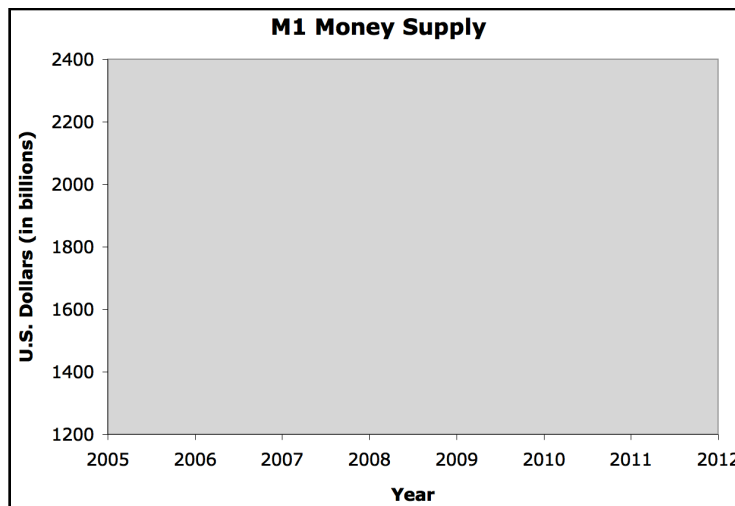
The table below lists the components of M<sub>1</sub> and M<sub>2</sub> in the U.S. between 2005 and 2012. Use the data included in this table to complete the following questions. (All values are listed in billions of U.S. dollars.)

Year	Currency in Circulation	Checkable Bank Deposits	Traveler's Checks	Savings Deposits	Money Market Funds	Time Deposits	M1	M2	Currency as a % of M1	M1 as a % of M2
2005	710	655	7.4	3,539	672	919				
2006	740	628	6.9	3,631	723	1,112				
2007	757	610	6.5	3,798	847	1,250				
2008	776	652	5.9	4,003	1,002	1,325				
2009	852	781	5.2	4,506	908	1,333				
2010	888	848	4.8	5,094	711	1,045				
2011	963	1,038	4.5	5,705	664	837				
2012	1,050	1,255	4	6,364	635	695				

- 1) Calculate the M<sub>1</sub> money supply and record the numbers in the proper column.
- 2) Calculate the M<sub>2</sub> money supply and record the numbers in the proper column.
- 3) What percentage of M<sub>1</sub> was held as Currency in Circulation each year? Write these values in the table.
- 4) The amount of Currency in Circulation has grown significantly since 2005. The percentage of M<sub>1</sub> held as Currency in Circulation, however, has decreased dramatically. Why do you think this is the case?
- 5) What percentage of M<sub>2</sub> was held as M<sub>1</sub> each year? Write these values in the final column on the table.
- 6) The United States officially suffered a recession from 2007 to 2009. Refer to the "M<sub>1</sub> as a % of M<sub>2</sub>" column to answer these questions.
  - a) What happened to the M<sub>1</sub> and M<sub>2</sub> money supplies during this recession?
  - b) Why do you think this happened?

GRAPHS

Use the data from the table on the front side to draw the graphs below. Draw the data for M<sub>1</sub> on the first graph, and draw M<sub>2</sub> on the second graph. After drawing the graphs, answer the questions.



- 7) During what years did the M<sub>1</sub> money supply grow the fastest? Slowest?  
 FASTEST: \_\_\_\_\_ SLOWEST: \_\_\_\_\_
- 8) Do you think it is a good thing or a bad thing for M<sub>1</sub> to grow quickly? Explain.
  
- 9) During what years did the M<sub>2</sub> money supply grow the fastest? Slowest?  
 FASTEST: \_\_\_\_\_ SLOWEST: \_\_\_\_\_
- 10) Do you think it is a good thing or a bad thing for M<sub>2</sub> to grow quickly? Explain.