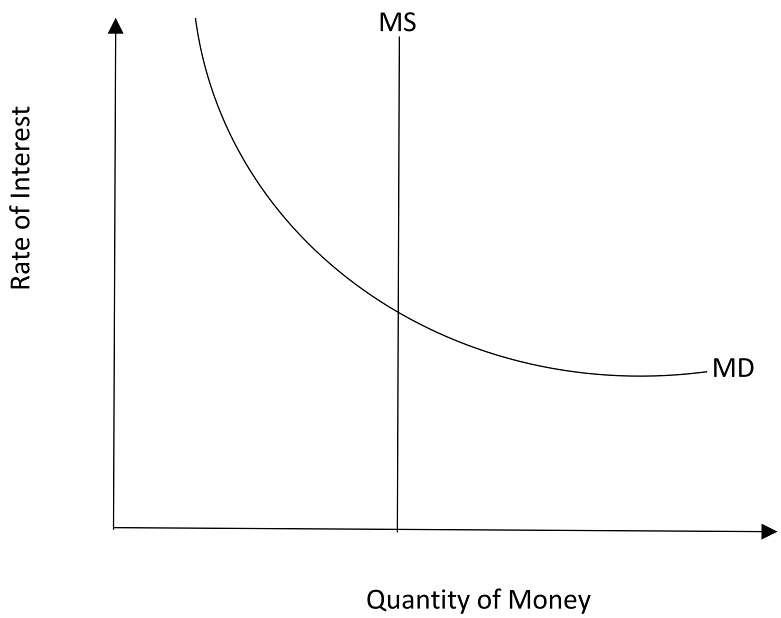
Answer to Question #89373 - Economics - Macroeconomics

a) The rate of interest is a price of money.
b) The demand and supply in a competitive situation.



c) The rate of interest on loans
   Rate of estimated inflation

d) Reserve requirement imposed on banks
   Policy interest rates set by the Central Bank

e)
   i. When money supply increases, the MS curve shifts to the right and the rate of interest will fall. The surplus money will be used to purchase bonds whose prices will rise causing the interest rates to fall.
   ii. When demand for money increases, the demand curve to shift to the right. Interest rates will rise which will lead to low investment, high exchange rate and low net export. More money is needed for transaction purposes.

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