Assignment 6

1. What makes a dollar bill money? What makes a personal check money? What makes a debit card money? Are there circumstances under which you would be reluctant to accept a dollar bill as money? A personal check? A debit card?
2. Briefly describe each of the main functions of money.
3. In what sense are treasury bills and reserves money? In what sense are they not money?
4. Assume that Jack wants to take out a loan to buy a car from Bank of America. Jack will buy the car from Jane who also banks at Bank of America. Draw out the balance sheets of this transaction.
5. Describe the ways in which banks settle with each other.
6. Use FRED to plot interest rates for the following during the period 200-01-01 to 2002-12-31:
   * federal funds effective rate
   * ICE BofA BBB US Corporate Index Effective Yield
   * ICE BofA AAA US Corporate Index Effective Yield
   * 30-Year Fixed Rate Mortgage Average in the United States
   * Market Yield on U.S. Treasury Securities at 10-year Constant Maturity

* Discuss the spreads between these rates during this period. In your opinion did interest rate spreads present a problem for monetary policy?