1. Central bank and its duties

2. Money demand and the MD curve
   
   • What happen to MD curve when price level increases/decreases?

   • What happen to MD curve when income level increases/decreases?

3. Money supply and the MS curve

4. Money market equilibrium
   
   • Equilibrium interest rate

   • If the Fed increases MS, what would happen to the interest rate?

   • If the Fed decreases MS, what would happen to the interest rate?

5. (VERY IMPORTANT) Three monetary policies and their impacts on an economy

   Policy #1. Open-Market Operation

   Policy #2. Changes in the discount rate

   Policy #3. Changes in the reserve ratio

Case study 1. If an economy is in recession, what monetary policy should the Fed apply?

Case study 2. If an economy is overheated, what monetary policy should the Fed employ?