



If there is a general shortage of liquidity in the money market then?

# If there is a general shortage of liquidity in the money market then?

- A. The banks will increase their lending
- B. The short-term interest rate at which the economy's commercial banks lend to and borrow from each other will fall and the central bank may be expected to reduce the supply of liquidity to the banks
- C. The short-term interest rate at which the economy's commercial banks lend to and borrow from each other will rise and the long-term interest rate may be expected to rise as a result
- D. The short-term interest rate at which the economy's commercial banks lend to and borrow from each other will rise and the central bank may be expected to increase the supply of liquidity to the banks.**

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**If there is a general shortage of liquidity in the money market then the short-term interest rate at which the economy's commercial banks lend to and borrow from each other will rise and the central bank may be expected to increase the supply of liquidity to the banks.**

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If there is a general shortage of liquidity in the money market then?

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