

For each of the following, explain briefly how it would affect the demand for U.S. dollars and, other things (including the growth of the money supply) being equal, U.S. inflation.

1. Ongoing financial innovations such as ATMs and Internet banking that make financial transactions cheaper and easier.
2. A movement away from using U.S. dollars as international currency, leading to a reduction in the amounts of dollars held by foreign governments, banks, and traders.