Unit 4: Money and Banking

Content Area: **Social Studies**
Course(s): **AP Macro Economics**
Time Period: **December**
Length: **4 weeks**
Status: **Published**

Transfer Skills

Students will be able to independently use their learning to assess the function of the banking system as well as the Federal Reserve system.

Enduring Understandings

There are a variety of different types of money that have been used throughout history. The ability to use money as a store of value, a medium of exchange and a portable source of wealth is what makes money durable and long lasting.

Liquidity is the ability to use different stores of wealth for transactions. Very liquid mediums of exchange like dollars can be transferred freely where non-liquid assets like houses still store value but cannot be exchanged freely.

Banks are established to make the movement of money faster and easier. Their ability to loan money is what allows individuals and businesses to purchase goods and services with greater ease.

There have been many problems with the banking system throughout the years that has forced the government to regulate the system to prevent major economic downturns.

The Federal Reserve System was put into place to help regulate the banking system and to help provide capital for banks to loan out to more money.

Essential Questions

What is money and what purpose does is serve in the economy?

How does money move through the economy and what does that tell us about the relative strength of our

economy?

How does liquidity impact a company's ability to do business and to purchase good and expand their business?

What is the purpose of the Federal Reserve and how do its policies impact a country's economy?

How has the banking system evolved since its inception and what safe guards are now in place that were not there before?

Content

Vocabulary

Money, Medium of Exchange, Barter, Unit of Accounting, Store of Value, Liquidity, Money Supply, M1, M2, Checkable Deposits, Savings Deposits, Certificates of Deposits, Money Market Deposit Accounts, Money Market Mutual Funds, Central Bank, Asymmetric Information, Moral Hazard, Liabilities, Assets, The Federal Reserve

Skills

Evaluate what items can actually be used as money based upon the criteria of money.

Chart how money moves through an economy.

Analysis of the money and banking system and evaluation of its positives and negatives.

Debate over the role of the Federal Reserve in the banking system.

Calculate the velocity of money in a country.

Write about the role of the Federal Reserve and how it is attempting to correct the economy in today's society.

Resources

Standards

PFL.9.1.12.A	Income and Careers
PFL.9.1.12.B	Money Management
PFL.9.1.12.C	Credit and Debt Management
PFL.9.1.12.D	Planning, Saving, and Investing
SOC.6.1.12.C.1	Economics, Innovation, and Technology
SOC.6.1.12.C.3	Economics, Innovation, and Technology
SOC.6.1.12.C.5.a	Analyze the economic practices of corporations and monopolies regarding the production and marketing of goods, and determine the positive or negative impact of these practices on individuals and the nation and the need for government regulations.
SOC.6.1.12.C.14.a	Use economic indicators to evaluate the effectiveness of state and national fiscal (i.e., government spending and taxation) and monetary (i.e., interest rates) policies.
SOC.6.1.12.C.14.b	Judge to what extent government should intervene at the local, state, and national levels on issues related to the economy.
SOC.6.1.12.C.14.c	Analyze economic trends, income distribution, labor participation (i.e., employment, the composition of the work force), and government and consumer debt and their impact on society.