

Unit 3: Financial Sector

Content Area:

Course(s):

Time Period:

Year

Length:

180

Status:

Published

Summary

In this unit, students will evaluate the macroeconomic effects of monetary policy. Before doing so, though, they should first have an understanding of how the financial sector works and be able to describe how monetary policy is implemented and transmitted through the banking system. This understanding begins with an introduction to financial assets, including money, and the way in which fractional reserve banking allows for the expansion of the money supply. Students will then build on their understanding of the financial sector by learning how to model the money market, the reserve market, and the loanable funds market. Adopted from the AP Macroeconomics Course and Exam Description, effective Fall 2022.

Standards

Priority Content Standards

H/SS.MACE.IV	Financial Sector
H/SS.MACE.IV.A	Money, banking, and financial markets
H/SS.MACE.IV.A.1	Definition of financial assets: money, stocks, bonds
H/SS.MACE.IV.A.2	Time value of money (present and future value)
H/SS.MACE.IV.A.3	Measures of money supply
H/SS.MACE.IV.A.4	Banks and creation of money
H/SS.MACE.IV.A.5	Money demand
H/SS.MACE.IV.A.6	Money market and the equilibrium nominal interest rate
H/SS.MACE.IV.B	Loanable funds market
H/SS.MACE.IV.B.1	Supply of and demand for loanable funds
H/SS.MACE.IV.C	Central bank and control of the money supply

Supplemental Content Standards

H/SS.MACE.V.A	Fiscal and monetary policies
H/SS.MACE.IV.A	Money, banking, and financial markets
H/SS.MACE.IV.A.1	Definition of financial assets: money, stocks, bonds
H/SS.MACE.IV.A.3	Measures of money supply

Interdisciplinary Connections (Standards)

Please select relevant "Standards for Mathematical Practice (2023)", science and engineering practice standards "Grades 9-12/6-8 (2023)", ELA anchor statements, Social Studies practice standards. (3-6 total are suggested)

Planning and Carrying Out Investigations
 Obtaining, Evaluating, and Communicating Information
 Using Mathematics and Computational Thinking
 Developing and Using Models
 Constructing Explanations and Designing Solutions
 Analyzing and Interpreting Data
 Engaging in Argument from Evidence
 Asking Questions and Defining Problems

Career Readiness, Life Literacies, and Key Skills PRACTICES

These practices should be taught and reinforced in all content areas with increasingly higher levels of complexity and expectation as a student advances through a program of study.

WRK.K-12.P.1	Act as a responsible and contributing community members and employee.
WRK.K-12.P.2	Attend to financial well-being.
WRK.K-12.P.3	Consider the environmental, social and economic impacts of decisions.
WRK.K-12.P.4	Demonstrate creativity and innovation.
WRK.K-12.P.5	Utilize critical thinking to make sense of problems and persevere in solving them.
WRK.K-12.P.6	Model integrity, ethical leadership and effective management.
WRK.K-12.P.7	Plan education and career paths aligned to personal goals.
WRK.K-12.P.8	Use technology to enhance productivity increase collaboration and communicate effectively.
WRK.K-12.P.9	Work productively in teams while using cultural/global competence.

Climate Change Standards

Select the Performance Expectations.

[ClimateChange Education](#)

Stage I: Desired Results

STAGE I Desired Results	
<i>Learning Objective</i>	
<p><i>Students will be able to independently use their learning to...</i></p> <ul style="list-style-type: none"> • Define the nominal and real interest rate. • Define equilibrium in the money market. • Define monetary policy and related terms. • Define the loanable funds market, demand for loanable funds, and supply of loanable funds. 	
<i>Mastery</i>	
<p><u>Enduring Understanding</u></p> <p><i>Students will understand that...</i></p> <ul style="list-style-type: none"> • Other financial assets people can hold in place of the most liquid forms of money include bonds (interest-bearing assets) and stocks (equity). • The opportunity cost of holding money is the interest that could have been earned from holding other financial assets such as bonds. • Money is any asset that is accepted as a means of payment. • Given a monetary base determined by a country's central bank, money supply is independent of the nominal interest rate. • In the loanable funds market, equilibrium is achieved when the real interest rate is such that the quantities demanded and supplied of loanable funds are equal. 	<p><u>Essential Questions/Big Ideas</u></p> <p>What is money? How is the price of money determined? How do banks create money? How do the actions of a country's central bank affect financial decision making and the economy?</p>
<i>Acquisition</i>	
<p><i>Essential Knowledge...</i></p> <p><i>Define the principal attributes—liquidity, rate of return, and risk— associated with various classes of financial assets, including money. Explain the relationship between changes in nominal interest rates, expected inflation,</i></p>	<p><i>Suggested skills...</i></p> <ul style="list-style-type: none"> • Describe the similarities, differences, and limitations of economic concepts, principles, or models. • Determine the effect(s) of a change in an economic situation using quantitative data or calculations. • Using economic concepts, principles, or models,

and real interest rates.

Calculate the nominal and real interest rate.

Define key terms related to the banking system and the expansion of the money supply.

Define the money market, money demand, and money supply.

explain how a specific economic outcome occurs or what action should be taken in order to achieve a specific economic outcome.

- Demonstrate the effect of a change in an economic situation on an accurately labeled graph or visual.

Stage II: Assessment Evidence

STAGE II Assessment Evidence	
Practices	Assessments
AP Progress Check Market modeling practice Vocabulary scramble Wall Street Survivor	Open market simulation 2008 Market Crash case study Unit 3 Test

Modifications

Additional time on assessments

Guided notes

Audio/visual examples

Study guides

Acceleration

Additional graphing practice

Supplemental readings

Additional free response practice

Stage III: Learning Plan

Unit 3: 3 weeks

- Lesson 1.1: Financial Assets
- Lesson 1.2: Nominal vs Real Interest Rates
- Lesson 1.3: Definition, Measurements and Functions of Money
- Lesson 2.1: Banking and the Expansion of Money Supply
- Lesson 2.2: The Money Market
- Lesson 2.3: Monetary Policy
- Lesson 3.1: Open market simulation
- Lesson 3.2: Unit 3 Test

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Diversity, Equity, & Inclusion

[Diversity, Equity & Inclusion](#)

This unit explores the impact of fiscal and monetary policies on individuals of varying backgrounds and identities.

Specific Resources for Unit

[jacob clifford youtube channel](#) & [website](#)

[Jason Welker youtube channel](#) (has useful videos aligned to the course and a ton of videos about graphs)

[Review Econ \(Jacob Reed\) youtube channel](#)

[Heimler History AP Macro](#)

[MRU online course*](#) (has not only review videos but teacher resources, review games, etc to use)

[Federal Reserve Education](#) (can filter the site based on unit/topic and it will provide lesson plans that you can download as a PDF or link to google classroom)

[AP practice exams.com](#) (useful platform with practice questions, links to helpful videos/youtube channels)

[The Economist youtube channel](#) (various videos pertaining to economics)

[Economics Explained](#) (various videos pertaining to economics)

[Think Econ](#) (great resource with many videos pertaining to the course)

[One minute economics](#) (short videos about different economic topics)

[UMASS Amherst economics](#) (videos from professors)

[Department of Economics Oxford U](#)

[Crash course economics](#) (same as the John Green network making these crash course videos)

[AP Macro Khan Academy](#)

Links to helpful websites

[PBS learning](#)

[curious economist](#)

[science journal for kids](#)

Technology Integration

Northern supports the integration of the [SAMR Model](#): a framework which extends learning through the use of technology. The installation of interactive boards, the purchase of softwares and subscriptions, and the investment in 1:1 laptops and various other instructional technologies are examples of Northern's commitment to enhancing students' learning and preparing the 21st century learner for college and careers.

