

MONEY AND BANKING

www.geocities.com/socialstudiesjhscunningt@jenkintown.org

WHY?

To a great extent our system of money and banking works because we say it works. It is our faith that gives money the value and banks the stability that enable us to use them as useful tools in the economy

Outcomes: Students will

- A. identify different forms of money, and their advantages and disadvantages (4.2.2)
- B. describe how money is created by banks using the fractional reserve system (4.2.2)
- C. comprehend the role of the Federal Reserve in the banking system and in monetary policy (4.2.2)
- D. comprehend what causes inflation & the effects it may have (4.2.1)
- E. analyze how monetary policy can be used to regulate and solve problems in the economy (4.2.4, 4.2.5)
- F. evaluate local financial institutions to determine what bank provides the best services (2.1.5, 2.1.6)
- G. keep abreast of current events & the operations of the Federal Reserve (4.2.5, 4.5.4, 5.2.2)

Resources

- A. text, chapters 5 & 6, p. 52-82; chapter 30, 394-400

Outline

- I. MONEY
 - A. what is money?
 - 1. functions
 - 2. types
 - B. How Banks Create Money: the fractional reserve system
 - C. the money supply
- II. The Government & the Business Cycle
 - A. fiscal policy
 - B. Monetary Policy: the Federal Reserve System
 - 1. changing reserve requirements
 - 2. changing interest rates
 - 3. open market operations
- III. How the Value of Money Changes: Inflation
 - A. effects of inflation
 - B. types of inflation
 - 1. demand-pull
 - 2. cost-push

Vocabulary

Alan Greenspan	currency	interest rates
annual percentage yield (APY)	debit card	medium of exchange
automatic teller machine (ATM)	deflation	monetary policy
bank	demand deposits	monetary unit
barter	demand-pull	money
base period	depositor	money supply
certificate of deposit	discount rate	mutual savings bank
check	electronic funds transfer (EFT)	open market operations
checking account	endorsement	purchasing power
commercial bank	federal funds rate	reserves
Consumer Price Index (CPI)	Federal Reserve System	reserve requirement
cost-push	fiscal policy	savings and loan association
credit card	index number	securities
	inflation	travelers' check
	inflationary spiral	value
	interest	