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LOANABLE FUNDS MARKET

Evaluate the LF Market.

- Investigate how the shape of the DLF may not be driven by the RIR.

Utilize your knowledge of the Loanable Funds Market.

- Demonstrate how G deficit spending will affect the LF Mkt.
- Illustrate crowding out on a LF market.

Analyze the loanable funds market.

- Draw a correctly labeled graph of the loanable funds market.

Comprehend the financial sector as an intermediary.

- Who are the suppliers of LF, and what are their determinants?
- Who are the demanders of LF, and what are their determinants?

Retrieve/Recall Basic Financial Sector Information.

- Define the Supply of LF
- Define the Demand of LF

MONEY CREATION/DESTRUCTION

Evaluate the financial sector.

- Critique the max change to the M1.
- Critique the effects of changes to money supply in the long run.

Utilize your knowledge of the money creation process.

- Calculate the Simple Money Multiplier (SMM).
- Use the SMM to calculate the max change to M1.

Analyze a bank balance sheet.

- Using a Bank Balance Sheet, illustrate the process of money creation and destruction.
- Identify the most common flaw in the illustration.

Comprehend how banks create and destroy money.

- Describe and trace out a bank balance sheet, including all its components.

Retrieve/Recall Basic Financial Sector Information.

- Define M1
- Define financial assets.
- Define physical assets.
- Define a fractional banking system.
- Define reserve requirement.
- Define excess reserves.

MONEY and the MONEY MARKET

Predict how the Money Supply will have an impact on the Macro economy.

- Investigate the link between the quantity of M1 and AD.

Utilize your knowledge of a central bank, money supply and the macro economy.

- Synthesize the steps from money creation in the fractional system to the impact on the Money Market.

Analyze the Money Market.

- Draw a correctly labeled graph of the money market.
- Illustrate the impact of changes to the M1 supply or demand.

Comprehend the shape of the S/D of M1.

- M1 is not related to the NIR
- NIR is the price of holding money.
- Identify the determinants of S/D in the Money Market.

Retrieve/Recall Basic Financial Sector Information.

- Define the Quantity Theory of Money.
- Nominal Interest Rate (NIR)