**Money & Banking homework questions**

Instructions: Create space in the document below, and type or write your answers. When you are done, submit your work as an email attachment.

(10 questions, 100 possible points).

These questions will require Internet research and thoughtful analysis. Take your time.

1. When talking about money and assets, what is meant by the terms “liquid” and “illiquid”? Why would you want money to be liquid? Explain.
2. Evaluate this statement: “It’s okay to run a budget deficit; just print more money and it goes away”. There is some truth to this statement. However, explain why it’s a bad policy long-term. Research hint: “Printing your way out of a debt crisis”.
3. Research “Credit Unions”. How are these different from commercial banks? Explain the differences and similarities.
4. List and explain the 3 classical functions of Money.
5. In 1971, President Nixon abruptly took the U.S. off the Gold Standard. For the first time, the dollar was no longer backed by Gold. What was going on here? Why did he do this? What was he trying to accomplish? Research and explain. Research hints: “Nixon off Gold Standard”, “End of Bretton Woods System”, “The Nixon Shock”.
6. What is meant by “Fiat Money”? Where did that term come from? Explain what it means.
7. Research the “Hyperinflation” going on in Germany, 1921-1924. This is the classic, textbook example of Hyperinflation. People were using Deutschmarks as kindling to light their fires. What was going on here? What caused the hyperinflation? What were some of the effects? Who got hurt the most? Research hints: “Hyperinflation Germany”, “Hyperinflation Weimar Republic”.
8. Thought question: “Could we, in the U.S., ever have a repeat of the situation in Germany, 1921-1924?” Why or why not? Think about this for a while before answering.
9. M1 and M2: Make a table and list the elements/components that make up each of these.
10. Money Supply: Go to the “Trading Economics” link posted on the Unit page. Use the information on this site to make an Excel Graph of M1 and M2 over the past 10 years. Label the axes appropriately.