

PART TWO

Overviews of the Textbook Chapters and Teaching Tips

Chapter 1

Why Study Money, Banking, and Financial Markets?

Before embarking on a study of money, banking, and financial markets, the student must be convinced that this subject is worth studying. Chapter 1 pursues this goal in two ways. First, it shows the student that money and banking is an exciting field because it focuses on economic phenomena that affect everyday life. Second, using eight figures, this chapter encourages the student to look at data that bear on the central issues in this field. An additional purpose of Chapter 1 is to provide an overview for the entire book, previewing the topics that will be covered in later chapters, and to indicate how the book will be taught.

In teaching this chapter, the most important goal should be to get the student excited about the material. We have found that talking about the data presented in the figures helps achieve this goal. Furthermore, it shows the student that the subject matter of money and banking has real-world implications that the student should care about.

The appendix to this chapter reviews concepts regarding the definitions of aggregate output, income, and the price level that the student already has seen in an economic principles course. Since these concepts are extremely important, it might be worthwhile to have your students read this appendix outside of class to jog their memories.

Chapter 2

An Overview of the Financial System

Chapter 2 is an introductory chapter that contains the background information on the structure and operation of financial markets that is needed in later chapters of the book. This chapter allows the instructor to branch out to various choices of later chapters, thus allowing different degrees of coverage of financial markets and institutions.

The most important point to transmit to the student is that financial markets and financial intermediaries are crucial to a well-functioning economy because they channel funds from those who do not have a productive use for them to those who do. Professors who emphasize financial markets and institutions in their course will want to teach this chapter in detail, and those who focus on international issues will want to spend some time on the section “Internationalization of Financial Markets.” However, those who slant their course to monetary theory and policy may want to give this chapter a more cursory treatment. No matter how much class time is devoted to this chapter, we have found that it is a good reference chapter for students. You might want to tell them that if in later chapters they do not recall what some financial instrument is or who regulates whom, they can refer back to this chapter, especially to summary tables, such as Tables 2-3 and 2-5.

The chapter introduces Global boxes, which are sprinkled throughout the text, to get students to recognize the growing importance of the global economy. The Global boxes in this chapter get students to think about how the financial system is different across countries.

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