



THE INDEPENDENT INSTITUTE OF EDUCATION

ECONOMICS
(the best subject)

PRESENTED BY

Thinus Nienaber


Ground Rules?

Cell phones

Time

30 Second Rule

Respect

Ethics

Calculators

Ask ???????

Ask ?????????

Do !!!!!!!!!!!!!!!!!!!!!










The monetary sector. Chapter 15

Learning Unit 2



Learning Outcomes.

- Define money.
- List and describe the functions of money.
- Define M1, M2, and M3 money aggregates.
- Discuss the functions of the SARB.
- Discuss the factors that influence the supply of money.
- Discuss the factors that influence the demand for money.
- Explain the causes of changes in equilibrium in the money market.
- Discuss the instruments of monetary policy.



The functions of money.

1. Money as medium of exchange.
2. Money as Unit of Account.
3. Money as store of Value.
4. What Money is not:
 - Income
 - Wealth



Different kinds of money.

- Commodities.
- Coins
- Paper money.
- Deposits.
- Fiduciary or credit money.
- Legal tender.



Early Money.



www.chinahighlights.com



Money in SA.

M1 – Group 1

M2 – Group 2

M3 – Group 3



South African Reserve Bank.



South African Reserve Bank



South African Reserve Bank.

1. Formulation and implementation of monetary policy.
2. Service to the government.
3. Provision of economic and statistical services.
4. Maintaining financial stability.



The supply of money.

$$M = C + D$$

The role of banks in money creation.

The reserve asset position and the credit multiplier.

Other factors that can influence the money supply.



The demand for money.

Amount that various participants plan to hold in form of money balances.

Opportunity cost.

Conclusion: Inverse relationship.

Interest rate.



Equilibrium in the money market.

Independent money supply curve?

Simultaneous control of the quantity of money and interest rates.



The monetary policy framework in SA.

Evolution of monetary policy framework..

Instruments of monetary policy.

Accommodation policy.

Open-market policy.

Other instruments.



Bank supervision.

Capital requirements.

Liquid assets requirements



Thank you.

