THIRD TERM E-LEARNING NOTE

SUBJECT: ECONOMICS **CLASS: SS 2**

SCHEME OF WORK

WEEK	TOPIC
1	Revision of Last Term's Work / Money
2	Financial Institutions
3	Inflation and Deflation
4	Public Finance
5	Sources of Government Revenue
6	Budget
7	Capital Market
8	National Income
9	Theory of Income Determination
10	Theory of Multiplier
11	Revision
12	Examination

REFERENCE BOOKS

- Amplified and Simplified Economics for Senior Secondary School by FemiLonge
- Comprehensive Economics for Senior Secondary School by J.V. Anyaele
- Fundamentals of Economics for SSS By. R.A.I. Anyanwuocha

WEEK ONE
MONEY
CONTENT

- Motives for Holding Money
- Demand And Supply of Money
- Elementary Quantity Theory of Money
- Value of Money And Price Level

DEMAND FOR MONEY

Demand For Money: is the total amount of money which an individual, for various reasons, wish to hold. That is, it is the desire to hold money in terms of keeping one's resources in liquid form rather than spending it. The demand for money in economics is known as Liquidity Preference.

MOTIVES FOR HOLDING MONEY

Reasons or motives for holding money in economics as postulated by Lord Menard Keynes are in three major ways as follows:

1. **Transactionary Motives**- is when people desire to hold money in liquid or raw cash for day-to-day transactions or to meet current expenditure. That is, to cater for the interval between the receipt of incomes and their expenditures
2. **Precautionary Motives**- is when people desire to hold money in liquid form in order to meet up with unforeseen contingency or unexpected expenditure which may include sickness, unexpected visitors, accidents, etc.
3. **Speculative Motives**- is when people desire to hold money specifically for a business transactions in order to embark on speculative dealings in the bond (security) market.

EVALUATION

1. Define demand for money
2. State and briefly explain the three motives for holding money

SUPPLY OF MONEY

This refers to the total amount of money available for use in the economy at a given period of time. The supply of money involves the currency in forms of bank notes and coins circulating outside the banking system as well as the bank deposits in current accounts, which can be withdrawn by cheque (i.e bank money).

FACTORS AFFECTING SUPPY OF MONEY

0. Bank Rate- is the rate of interest which the Central Bank charges the commercial banks for lending money to or borrowing from them and discounting bills.
1. Cash Reserve Ratio- also known as Cash or Liquidity Ratio, is the percentage of the deposits Commercial Banks are expected to keep with them. When the Cash Reserve is high, the supply of money will definitely be low, and vice-versa.
2. Economic Situation- the Central Bank reduces the supply of money during the period of inflation and increases it during the period of deflation.
3. Demand for Excess Reserves- when Commercial Banks demand for excess reserves, the supply of money will increase.
4. Total Reserves of Central Bank- money supply is affected by the total reserve of the Central Bank. If the total reserve supplied by the Central Bank is high, money supply will also be high, and vice-versa.

EVALUATION

1. Define the term supply of money
2. List and explain the five factors affecting supply of money.

QUANTITY THEORY OF MONEY

The quantity theory of money was propounded by Sir Irving Fisher- an American Economist. Fisher postulated…