The major assessment goal for economics students at Concordia Seward for the 2015-16 academic year

is understanding what money is, particularly in the context of the USA. This is one of the five objectives for macroeconomics students as stated on the course syllabus:

1. Understand how supply limits and alternatives effect consumer behavior.
2. Understand the basics of international trade.
3. Understand how national economies are measured and how those measurements change and cycle.
4. Understand how aggregate supply and demand are analyzed and the implications for government fiscal policies.

***5. Understand what money is, how it is created, and how it circulates in economies. How do governments influence this process with monetary policy?***

The first clause in Objective 5 will be assessed with a series of five multiple choice questions. It is important that students understand that money is not a thing, but, rather, a concept. It is not a factor of production, but a common way of denominating factors of production so that they can be easily traded (Question *I*). The students need to distinguish the functions of money (Question *II*). The students need to understand that US paper money is a current Note, issued by the Federal Reserve Bank

(Question *III*). The students also need to know that most money has no physical form, rather it is an accounting entry on a bank's database; M1 is mainly checkable deposits (Question *IV*). Finally, the students must understand that new forms of money are spontaneously invented, functional money has expanded to include M2 (Question *V)*. Bitcoin is still not accepted widely enough as a medium of exchange to be considered proper money, rather it is an asset like gold metal. The SDR is the currency that central banks use in their relationship with the IMF, but it is not a direct medium of exchange in any country.

*I*. Which is *not* a factor of production?

***A. Money***

1. Land
2. Labor
3. Capital

*II*. When economists say that money serves as a unit of account, they mean that it is:

1. a way to keep wealth in a readily spendable form for future use.
2. a means of payment.

***C. a monetary unit for measuring and comparing the relative values of goods.***

D. declared as legal tender by the government.

*III*. A $20 bill is a:

1. gold certificate.
2. Treasury note.
3. Treasury bill.

***D. Federal Reserve Note.***

*IV*. In the United States, the money supply (*M*1) is comprised of:

***A. coins, paper currency, and checkable deposits.***

1. currency, checkable deposits, and Series E bonds.
2. coins, paper currency, checkable deposits, and credit balances with brokers.
3. paper currency, coins, gold certificates, and large time deposits.

*V*. Near-monies, which are included in *M*2 :

A. include gold coins which can be readily converted into currency.

***B. are certain highly liquid financial assets that do not function directly as a medium of exchange but can be readily converted into M1.***

1. include stocks and bonds that can be sold in an online trading account and easily turned into cash
2. are defined as electronic balances like Bitcoin and the SDR.

Assessment Criteria

In order to be considered a success, students must perform better than average on the five questions listed above. The overall average exam score of students in Macroeconomics (ECON 101) in the 2014- 15 school year was 74.6%. Students must score a minimum of 80% on each of the five questions.

|  |  |  |  |
| --- | --- | --- | --- |
| Money Knowledge Assessment Macroeconomics (ECON 101)  2015-16 | | | |
| QUESTION | % CORRECT | % BASELINE | DIFFERENCE |
| I |  | 80% |  |
| II |  | 80% |  |
| III |  | 80% |  |
| IV |  | 80% |  |
| V |  | 80% |  |

Results will be tabulated on the following form:

If fewer than 80% of students respond correctly to any of the five questions, we will do this same

assessment next year, trying to improve performance to an acceptable level.