
Fundamentals of Money Creation

Deadline: 4 Mar 2012

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| Type: | Course |
| Location: | Web-based |
| Date: | 6 Feb 2012 to 9 Mar 2012 |
| Duration: | 5 Weeks |
| Programme Area: | Public Finance and Trade |
| Website: | http://www.unitar.org/pft/elearning |
| Price: | \$400.00 |
| Event Focal Point Email: | pft-elearning@unitar.org |

BACKGROUND

This course serves as an introduction to money creation. One of the great mysteries and elegant features of the financial system in general, and of the banking sector in particular, is the creation of new money. The largest component of the money stock, bank deposits, is literally created by accounting entries. Many texts which cover money creation regard the reserve requirement (RR) as being at the very centre of the process, and many still regard the process as starting with a bank receiving a new deposit (placing the required reserves with the central bank, lending out the rest, which then arrives back in the banking system as a deposit; then the reserve requirement based on this deposit is

placed with the central bank ... and so on until the process ends with the factor *new deposit* $\times 1 / RR$ ratio). There are countries which do not have a RR, and money is still created in these countries, because money is bank deposits in the main and these are created when banks make loans. The RR is just one of the many factors that impact on bank liquidity.

LEARNING OBJECTIVES

At the end of the course, the participants should be able to:

- Discuss the historical backdrop to money creation;
- Explain modern money creation;
- Describe the measurement of the money stock and the common fallacies related to money creation;
- Differentiate the reserve requirement as being just one of many factors that impact on bank liquidity;
- Elucidate the management of bank liquidity by the central bank as one of the primary operational tools of monetary policy; and
- Discuss monetary policy and the transmission mechanism.

CONTENT AND STRUCTURE

The course consists of the following modules:

- Module I: Introduction and early history
- Module II: Bank note and deposit money
- Module III: Financial system and money market
- Module IV: Money creation: sources and fallacies
- Module V: Bank liquidity management
- Module VI: Monetary policy

METHODOLOGY

In order to ensure the best possible outreach, the course will be delivered through e-learning. Through a multiple-instructional setting, the goal is to achieve the learning objectives by means of learning technologies that match personal learning styles and by the inclusion of non-linear learning that aims at the

development of just-in-time skills of adult learners. At the same time, in order to allow participants maximum flexibility of scheduling , the learning will be conducted in an asynchronous manner. Using a state-of-the-art training architecture, UNITAR will combine self-learning with assessments and online discussions. The pedagogy - adapted specifically to professionals in full-time work - will help train participants through various experiences: absorb (read); do (activity); interact (socialize); reflect (relate to one's own reality).

TARGETED AUDIENCE

This course is targeted to officials of government ministries and agencies directly involved in financial market matters such as central banks, state banks (such as development banks), state representatives of securities exchanges and staff members of financial market-related supervising agencies. Private sector participants such as bank and other financial intermediary employees, members of exchanges / broker-dealers, will also benefit from this course.

ADDITIONAL INFORMATION

A certificate of completion will be issued by UNITAR to all participants who complete the course-related assignments and assessments successfully.