

11.5: Introduction to Role of Banks

What you'll learn to do: explain the role of banks in the U.S. monetary system

In this section, our focus is money at the macro level or the U.S. monetary system. We'll discuss how money is defined, the M1 and M2 categories of money supply, what types of money, deposits or investments is included in each and the role of the Federal Reserve Bank in managing and reporting on money stock measures. We'll continue with an explanation of the critical financial intermediary role that banks play in the payment system, facilitating the exchange of goods and services and acting as intermediaries between borrowers and savers. Our final topic introduces monetary policy and the structure, organization and key functions of the Federal Reserve Bank, our central bank.

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