

## Banking & Financial Systems

### Chapter 4: Money—Glossary

**aggregates.** The different measures that are compiled from a collection of data sources by which the money supply is measured.

**barter.** The exchange of one good or service for another good or service.

**coincidence of wants.** Occurs when two people each want what the other has to offer.

**commodity.** Anything that is useful or has value.

**commodity money.** Something of perceived value used as payment for something else of perceived value.

**counterfeit.** A copy of something represented as the real thing.

**denomination.** The unit in which money is available.

**divisibility.** The ability to be broken into smaller units.

**excess reserve.** The funds available for a bank to loan out after its reserve is met.

**fiat money.** Money that has value because the government says it has value.

**fractional reserve system.** A system that requires banks and other depository institutions to keep a fraction of their deposits in reserves.

**gold-exchange standard.** Allowed foreign governments, but not individuals, to redeem US dollars for gold.

**gold standard.** A system that determines how much gold each paper note represents.

**inflation.** When too much money in the economy results in rising prices.

**interest rate.** A stated cost for the use of borrowed money that is a percentage paid on top of the initial amount.

**legal tender.** Money that must be accepted for payment of debts or to make purchases.

**medium of exchange.** Anything that is exchanged for goods and services, such as money.

**money.** Anything of value that is accepted in return for goods or services.

**money multiplier effect.** The phenomenon that occurs when new deposits increase the money supply by more than the original deposit.

**money supply.** The total amount of money available in an economy at a given time in.

**prime rate.** The interest rate that banks charge their best customers.

**representative money.** A bill or coin that can be exchanged for an item of value.

**reserves.** A percentage of the bank's funds that is kept to ensure that money will be available for customers and is not available for loans; also known as required reserves.

**store of value.** Something that can be saved, or stored, to use at a future date.

**unit of account.** A common measure of what something is worth.