

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.