Name _____ Worksheet – Money and the Banking System

Period ____ [Chapters 11 & 15] The Fed and Monetary Policy

285 1. **Barter** economy - _____

285 2. Mutual **"coincidence of wants"** - _____

286 3. **Money** -

Matching

286 ____4. The **new Sacagawea dollar coin** will last over 20 years.

286 ____5. Our money has been subject to **very little inflation** for 10 years.

286 ____6. Dentists **take money** for their services.

286 ____7. A Lynch student **writes a check** to pay for a new Corvette.

286 ____8. You give **$100** for a CD of the "Econ Video"

286 ____9. You write a **$200** check for your prom dress.

A. Medium of Exchange
B. Measure of Value
   (Unit of Account)
C. Store of Value

287 10. **Commodity money** - _____

287 11. **Fiat money** - _____

288 12. **Wampum** - _____

288 13. **Specie** - _____

289 14. How did the **dollar get its name**? _____

290 ____15. **Will not rot.**

290 ____16. Can be **divided into smaller units**.

290 ____17. **Small and light** in weight.

290 ____18. **Last a long time**.

290 ____19. **Easy to transfer**.

290 ____20. **Limited** in supply.

290 ____21. Must be **highly divisible**.

A. Portability
B. Durability
C. Divisibility
D. Limited Availability

291 22. What is **Dineh Mohajer** known for? _____
_____

293 23. **Wildcat banks** - _____

294 24. **Greenbacks** - _____

295 25. **Gold Certificates** - _____

301 26. **Bank Run** - _____

302 27. In 1934, the FDIC insured customer deposits up to $_____, but has since been
increased to $_____.

304 28. **Deregulation** - _____

408 29. Each of the ____ **Board of Governors** is appointed by the _____ to ____-year
terms and **confirmed** by the _____.

409 30. The **FOMC** is made up of ____ members and makes decisions about the growth of the
_____ _____. They meet ____ times a year.

415 31. **Fractional Reserve System** - _____

415 32. **Reserve requirement(RR)** - _____

416 33. **Excess reserves(ER)** - _____

416 34. **Liabilities** - _____

416 35. **Assets** - _____

417 36. **Liquidity** - _____

417 37. **Time deposits** - _____

419 38. **Easy money policy** – Fed allows MS to _____ and interest rates to _____, which
_____ the economy.

419 39. **Tight money policy** – Fed _____ the growth of the MS, which drives interest
rates _____, which _____ economic growth.

420 40. The **most popular monetary tool** the Fed uses is _____

422 41. **Discount rate** – the interest the _____ charges on loans to _____ _____.

423 42. **Margin requirements** - _____

424 43. **Moral suasion** - _____

427 44. **Prime rate** - _____

427 45. **Quantity theory of money** - _____

428 46. **Real interest rate** - _____

429 47. **M1** - _____

430 48. **M2** - _____

Money Creation Practice

49. What is the "potential" **T**otal **M**oney **S**upply(**TMS**) if Britney Spears deposits $1,000**(**DD**)**in her Oops Bank and the **RR is 25%**? $_____ [TMS = 1ˢᵗ DD of Britney x Multiplier]

50. What is the "potential" **T**otal **M**oney **S**upply(**TMS**) if Reese Witherspoon deposits $100**(**DD**)** in her Legally Blonde Bank and the **RR is 10%**? $_____ [TMS = 1ˢᵗ DD of Reese x Multiplier]

51. What is the "potential" **T**otal **M**oney **S**upply(TMS) if Faith Hill deposits $1,000**(**DD**)** in her This Kiss Bank and the **RR is 40%**? $_____ [TMS = 1ˢᵗ DD of Faith x Multiplier]

52. Your bank has DD of 500,000. The **RR is 50%.** If **RR and ER** are **equal**, then **TR** are $_____.

53. A bank has **ER of $71,000** and DD are $200,000. If the **RR is 40%, TR** are $_____.

54. **No ER** & **RR are 50%**; DD of $100M is made in the Thunder Bank. MS is $____M. **ER** increase by $____M. **PMC** in the banking system is $_____M. Potential **TMS** is $_____M.

55. **RR is 20%**; a **bank** borrows **$50 M** from the *Fed.* Its **ER** are increased by $_____M. **PMC** in the banking system is $_____M. Potential **TMS** is $_____M.

56. **RR is 10%**. A bank borrows **$100 M** from the *Fed;* this **one bank's ER** are increased by $_____M. **PMC** in the banking system is $_____M. Potential **TMS** is $_____M.

57. **RR is 50%**; *Fed* buys **$100 M of bonds** from the PUBLIC. The MS is increased by $_____M. **ER** are increased by $_____M. **PMC** is increased by $_____M. **TMS** is increased by $____M.

58. **RR is 10%**. *Fed* buys **$100 M** of bonds from the PUBLIC. The MS is increased by $_____M **ER** are increased by $_____M. **PMC** in the system is $_____M. Potential **TMS** is $_____M.