

Glossary

Chapter 11

balance sheet	a financial record that indicates the balance between a bank's assets and its liabilities plus capital (p. 234)
barter	direct exchange of goods and services without the use of money (p. 225)
chartered banks	financial institutions that accept deposits and make loans (p. 232)
currency	consists of coins and paper notes that an institution or government has created to be used in the trading of goods and services and the payment of debts (p. 227)
demand deposits	balances in bank accounts that depositors can access on demand (p. 228)
desired reserve ratio	the percentage of deposits that a bank chooses to hold as cash reserves (p. 235)
excess reserves	cash reserves that are in excess of desired reserves (p. 235)
fiat money	a means of exchange established by government declaration (p. 227)
fractional reserve system	a system where banks hold reserves equal to some fraction of their demand deposits (p. 233)
gold standard	defining the dollar as equivalent in value to a certain amount of gold, thereby allowing direct convertibility from currency to gold (p. 230)
legal tender	refers to coins and paper notes officially declared to be acceptable for the settlement of debts incurred in financial transactions (p. 227)
liquidity	the ease with which one asset can be converted into another asset or into goods and services (p. 229)
M2	currency outside chartered banks plus demand and savings deposits at chartered banks (p. 229)
M2+	M2 plus demand and savings deposits at trust companies, mortgage loan companies, credit unions, caisses populaires, and other financial institutions (p. 230)
means of deferred payment	the attribute of money that makes it easier to borrow and to repay (p. 226)
measure of value	money as a common "ruler" of worth allowing for the comparison of diverse goods and services (p. 226)
medium of	the primary function of money, which is to facilitate transactions and

exchange	lower transaction costs (p. 225)
money	anything generally accepted in exchange for goods or services (p. 225)
money multiplier	measures the potential amount of demand deposit money that the banking system generates with each dollar of reserves (p. 239)
savings deposits	financial institution accounts containing funds that cannot be used for payment directly (p. 229)
store of value	how money provides a means of saving or accumulating purchasing power from the present and transferring it to the future (p. 226)