

Commodity money	Objects that have value in themselves as well as for use as money,
Currency	Coins and paper bills used as money.
Default	Failure to pay back a loan.
Federal Deposit Insurance Corp. (FDIC)	The government agency that insures customer deposits if a bank fails.
Federal Reserve System	The nation's central banking system.
Fiat money	Money that has value because the government has ordered that it is an acceptable means to pay debts.
Fractional reserve banking	A banking system that keeps only a fraction of funds on hand and lends out the remainder.
Interest	The price paid for the use of borrowed money, or, money earned by deposited funds.
Money market mutual fund	A fund that pools money from small savers to purchase short-term government and corporate securities.
Mortgage	A specific type of loan that is used to buy real estate.

Principal

The amount of money borrowed.

Representative money

Objects that have value because the holder can exchange them for something else of value.

Two units of the same type of money must be the same in terms of what they will buy, that is, they must be

- a. divisible.
- b. portable.
- c. acceptable.
- d. uniform.

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After the Civil War, the National Banking Acts gave the federal government the power to do all of the following EXCEPT:

- a. issue a single national currency
- b. require banks to hold adequate gold and silver reserves
- c. charter banks
- d. insure banks against failure

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The money supply of the United States is made up of which of the following?

- a. M1
- b. M1 and parts of M2
- c. all the money available in the economy plus money that the country could borrow
- d. all the money available in the economy

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Why are funds in checking accounts called demand deposits?

- a. they are held without interest by the bank
- b. they are usually in great demand
- c. they are not liquid
- d. they are available whenever the depositor demands them by writing a check

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