

Monetary Policy Vocabulary / Study Guide

Understand the following terms and concepts from... (write your responses on a separate sheet of paper)

Chapter 11:

Currency
Medium of exchange
Commodity money
Gold standard
Specie money
Fiat money
Inconvertible fiat money
Why our currency (the dollar) has value

Chapter 15:

Federal Reserve Bank (AKA 'The Fed')
Member bank
Monetary policy
Fractional Reserve System
Reserve requirement
Discount rate
Prime rate
Inflation
Recession
Services that the FED provides
Easy Money Policy
Tight money policy
Open Market Operations
Monetizing the Debt
Liabilities
Assets
Balance sheet

Chapter 14:

Inflation
CPI
Causes of Inflation
 Wage-price spiral
 Quantity theory of money / excessive monetary growth
Consequences of Inflation
 Inflation and the purchasing power of the dollar.
 Who gets hurt by inflation? Who benefits?