



Section 1: Guided Reading and Review

Money

A. As You Read

As you read Section 1, supply the requested information in the spaces provided.

Describe the three uses of money.

1. Anything that is a medium of exchange - used to determine value during exchange of goods and services
2. Anything that serves as a unit of account - comparing values of goods and services
3. Serves as a store of value - money keeps its value

Define the six characteristics of money.

4. Durability - must be strong to last a long time
5. Portability - need to be able to take with you
6. Divisibility - must be easily divided into smaller units of value
7. Uniformity - must be able to count and measure money
8. Limited supply - must be able to not get it anywhere or made easily
9. Acceptability - everyone must be able to exchange or use it for goods and services

B. Reviewing Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- B 10. something that keeps its value if held
- I 11. objects that have value because the holder can exchange them for something else of value
- C 12. money that has value because the government says it is acceptable for paying debts
- F 13. anything that is used to determine value during the exchange of goods and services
- A 14. exchange of one set of goods or services for another
- D 15. coins and paper bills used as money
- H 16. way to compare the value of goods and services relative to each other
- E 17. anything used as a medium of exchange, a unit of account, and a store of value
- G 18. objects that have value in themselves as well as for their use as money

Column II

- a. barter
- b. store of value
- c. fiat money
- d. currency
- e. money
- f. medium of exchange
- g. commodity money
- h. unit of account
- i. representative money

Section 2: Guided Reading and Review

The History of American Banking



A. As You Read

As you read Section 2, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: Before the Civil War, banking in the United States shifted between a centralized system and independent state and local banks.

1. What were the first two attempts to centralize U.S. banking, and when were they in operation?
First Bank of the United States - 1791 Second Bank of the United States - 1816
2. What problems were associated with the Free Banking Era (1837–1863), dominated by state-chartered banks?
Bank runs, wildcat banks, fraud, and different currencies

Main Idea: Reforms of the late 1800s stabilized the banking system.

3. How did the National Banking Acts of 1863 and 1864 promote stability?
It gave the government Power to charter banks, required banks to hold gold/silver reserves, power to issue single currency
4. How did the gold standard promote stability?
It set a value for the dollar and government could only issue currency if it had gold in the treasury to back up the dollars

Main Idea: Banking reforms early in the twentieth century helped strengthen and centralize American banking.

5. How did the Federal Reserve System, established in 1913, begin to manage the money supply?
It established member banks, all banks were supervised by a board of directors appointed by the President of the US, allowed member banks to borrow money, created national currency.
6. What guarantee was made available to bank customers in 1933?
The Federal Deposit Insurance Corporation (FDIC) was created, it gives people insurance for money they have in the bank

B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank provided.

7. One advantage of the gold standard was that the government could only issue currency if it had gold in the treasury to back it.
8. The greenback was a paper currency printed with green ink that was issued by the U.S. Treasury during the Civil War but not backed by gold or silver.
9. A(n) bank receives, keeps, and lends money.
10. The nation's central banking system is the Federal Reserve System.



Section 3: Guided Reading and Review

Banking Today

A. As You Read

As you read Section 3, supply the requested information on the lines provided.

Define M1.

1. Money that people can gain access to easily and right away...it has liquidity the ability to be used as or turned into cash

Define M2.

2. Everything that is M1 plus things that can't be used as cash right away but they can be turned into cash pretty easily...these are also called near money (deposits in savings accounts)

List five services that banks offer.

3. Saving Money
4. Loans
5. Mortgages
6. Credit Cards
7. Storing Money

Describe four types of financial institutions.

8. Commercial Banks - provide services to businesses
9. Savings & Loans Associations - lend money to people
10. Mutual Savings Banks - people make smaller deposits and transactions
11. Credit Unions - cooperative lending places for specific groups

B. Reviewing Key Terms

Define the following terms.

12. money supply all the money available in the US economy
13. liquidity ability to be used as cash or directly converted into cash
14. demand deposit money in checking accounts
15. money market mutual fund a fund that pools money from small savers to purchase short-term government & corporate securities
16. fractional reserve banking banking system that keeps a some of the funds available and lets people borrow from what is left over
17. default failure to pay back a loan
18. mortgage a specific type of loan that is used to by real estate (houses)
19. credit card a card that a person can use to buy things on credit (promise to pay it later)
20. interest price paid on money that is borrowed
21. debit card a card used to take out money
22. creditor a person or business that is owed money